

Discount Store News®

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K mart Opens American Fare

Features Upscale Apparel Brands, Low Prices

By Donald Longo
STONE MOUNTAIN, Ga. — At a time when monotony rules much of retailing, K mart has launched a new hypermarket unlike any other store in the United States.

American Fare, opened here late last month, features a trendy casual apparel mix with labels that would be the envy of the most upscale discounters.

The hypermarket, which expects to generate more than \$100 million in annual sales, also features custom-designed fixturing in apparel and some hard lines departments. These high-tech-look black fixtures are on locking wheels for easy maneuverability.

"We can reconfigure a department overnight," said Dan Lafferty, general manager, operations and personnel.

Despite the upscale apparel, the new store is very sharply priced on hard lines goods. On a wide range of products, from cookware and microwave ovens to automobiles and sporting goods, American Fare had lower prices than the nearby K mart or Wal-Mart discount stores on identical items.

Distinguishing characteristics include:

- Emphasis on fulfilling the shopping needs of "New Collar" consumers. These consumers have



Angelo Bruno (left), chairman of Bruno's, and Joseph Antonini, K mart's chairman, president and ceo: The innovative Southeastern grocer and the giant discounter teamed up to create an exciting shopping experience. (DSN photo)

See photos, floor plan, marketbaskets — 13-23

sophisticated taste, but limited budgets and time for shopping;

- Extensive spotlighting throughout the store, especially in apparel. There are more than 600 spotlights in the children's area alone;
- Unique children's sizing walls. One each in the boys' and girls' departments allows a child to stand next to a silhouette which is color-coded to tags on merchandise that fit that particular silhouette size.

Similarly, foot sizing imprints are located on the floor of the children's shoe department;

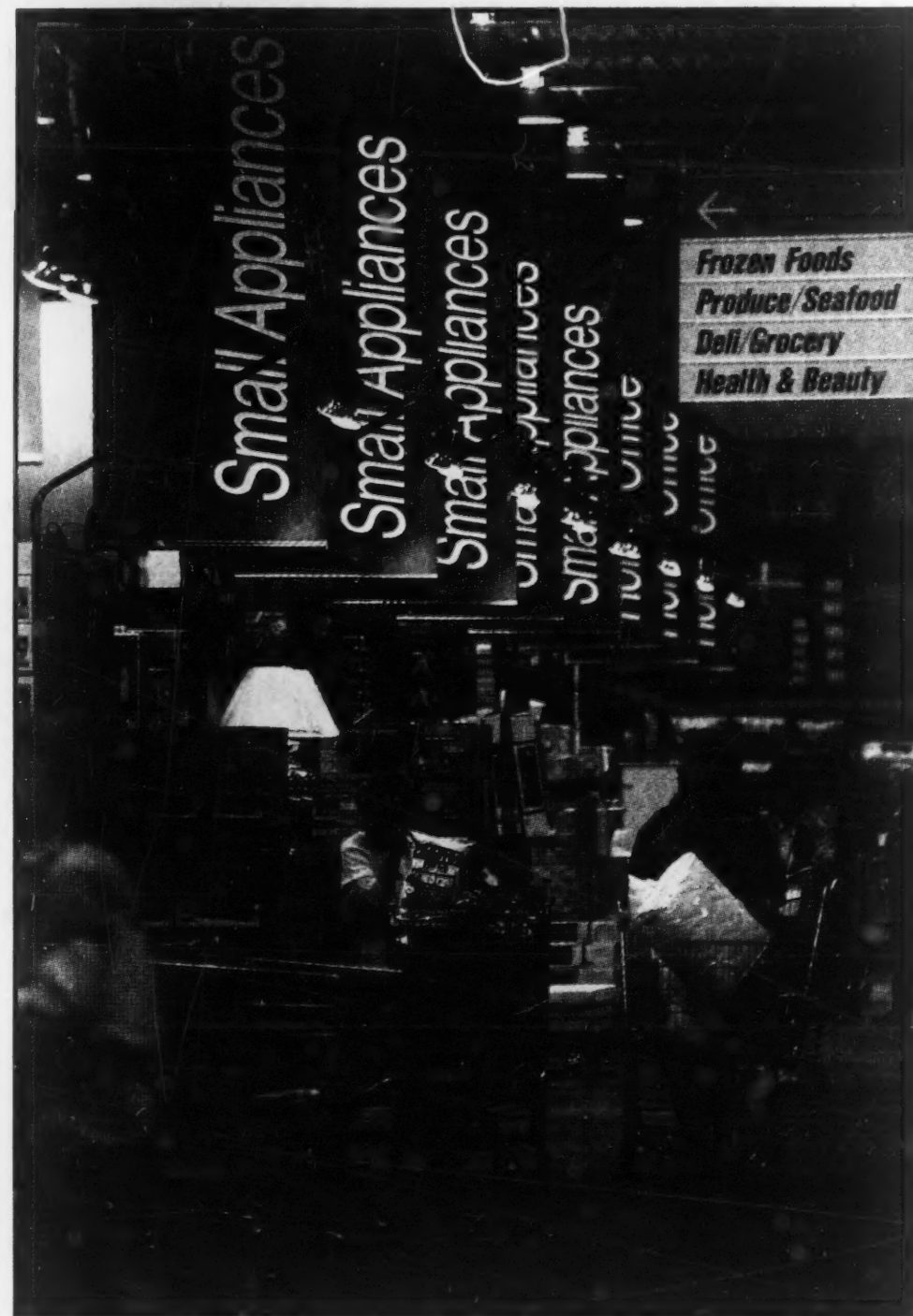
- Diaper changing stations in both women's and men's rest rooms, further evidence of the store's responsiveness to changing consumer lifestyles;
- Special American Fare hosiery fixtures that organize hose by size, not brand.

The department does not use any vendor displays;

- An undulating spiral banner that visually links the toys and children's wear departments.

After a week of practice runs, the 244,000-square-foot hypermarket complex officially opened here, 18 miles east of Atlanta, on Jan. 29. The opening day turnout easily fulfilled company forecasts that between 70,000 and 100,000 shop-

(Continued on page 13)



A mall without walls: American Fare's 25-foot-wide main aisle uses small appliances and housewares as a segue to the hypermarket's frozen food, fresh produce and specialty food departments. (DSN photo)

Ames Scraps Zayre Name Except on Inner-City Units

By Richard C. Halverson

ROCKY HILL, Conn. — As widely anticipated, Ames is scrapping the Zayre name—almost.

Ames will take down the Zayre sign on all but 54 Zayres and begin converting the stores to Ames by November 1. The Zayre logo will remain on 54 stores that serve inner-city customers in Chicago, Washington, D.C., Baltimore and Miami.

Changing the Zayre stores' decor to Ames' red and white color scheme, however, will await a seven-year remodeling program. Ames plans to remodel 75 of its 318 Zayre stores this year and the rest at a rate of 40 per year.

Separately, Ames last month closed the remaining 78 tire and lube centers in the Zayre stores. At the end of last year, Ames closed 17 of the limited auto service centers when it shut 74 of the original 392 stores it bought from Zayre Corp. last October.

Ames president and chief executive officer Peter Hollis said through a spokeswoman that Ames plans to develop special merchandising and advertising programs for the 54 inner-city stores that will retain the Zayre name.

(Continued on page 86)

Wal-Mart Tackles Chicago Market Plans 8 Discount Stores and 2 Sam's, Some in Strip Centers

By Arthur Markowitz

BENTONVILLE, Ark. — Wal-Mart is poised to expand its thrust into the greater Chicago area, the nation's third-largest market, with both discount stores and Sam's Wholesale Club units.

Wal-Mart's move into Chicago, which involves at least eight discount stores and two Sam's, follows the company's historical pattern of opening units on the fringes of a market and then steadily closing in on the core.

The two Sam's, at 125,000 square feet, will be new prototypes for the membership warehouse chain that will include serviced departments.

Some of the Wal-Marts will go into "power centers," a new type of strip center in which

discount stores and specialty discounters, rather than conventional department stores, are the anchors. These centers, which are springing up in Chicago and other markets, are the latest attempt by real

estate and shopping center developers to come up with a strip center format that can successfully compete with enclosed regional malls anchored by department stores.

(Continued on page 86)

Ads Build Less Traffic, More Sales



Promotional activity by discounters declined last year. But, more shoppers going to a discount store with a sale item in mind made a purchase, and the amount of the purchase was higher. The third annual DSN Traffic Builders Survey (pages 31 to 66) examines the effect of retailers' sale and promotion efforts on consumer shopping patterns.

Profiling Sears, K mart, Wal-Mart Customers

page 72

POS Implementation: A Fresh Look at Perplexing Problems

page 27



Retailers Gather At Housewares Show

page 28

Wal-Mart: 'Just Say No'

BENTONVILLE, Ark. — Wal-Mart and the Wal-Mart Foundation have earmarked over \$100,000 to launch a companywide program supporting the "Just Say No" Clubs, an anti-drug movement that is targeted at 7- to 14-year-olds. Wal-Mart will use ad circulars, posters, brochures, shopping bag imprints and other promotions to support "Just Say No," and to encourage stores to hold fundraising events for local clubs. It plans to donate \$10,000 to the "Just Say No" organization, whose honorary chairwoman is Nancy Reagan.

K mart Backs Young Inventors

TROY, Mich. — K mart and Eastman Kodak are sponsors of "Invent America!," an educational program that will send five children to the national Invent America! competition in Washington, D.C., in July. Invent America!, a project of the U.S. Patent Model Foundation, is an invention competition for elementary school students. It annually awards cash prizes and sponsors a national competition, with the winning projects exhibited at the Smithsonian Institution's National Museum of American History.

Goddu Takes Post at Toys 'R' Us

ROCHELLE PARK, N.J. — Roger Goddu has resigned as Target's senior vice president, general merchandise manager, and joined Toys "R" Us as executive vp, gmm. He will succeed Howard Moore, who plans to retire at the end of the year.

Jewelcor CEO Meets With Bush

WASHINGTON — Jewelcor's Inc.'s chief executive officer Seymour Holtzman was among a group of six businessmen that meet with President George Bush, Vice President Dan Quayle and other government officials to discuss economic issues facing the new administration. The talks covered the creation of jobs, interest rates, economic growth and exports.

HSN, GTE Square Off June 5

ST. PETERSBURG, Fla. — The Pinellas County Circuit Court has set June 5 as the trial date for Home Shopping Network's 18-month-old suit against GTE and two of its subsidiaries. HSN alleged that GTE provided the teleshopper with defective communication equipment and services and then engaged in a scheme to cover up these deficiencies. GTE has filed a countersuit against HSN and its two top executives, claiming the teleshopper's suit was an attempt to cover up HSN's poor financial performance. Prior to setting the trial date, the court rejected HSN's claim for \$1 billion in punitive damages against GTE.

Reagan Shops Discounters Too

VAN NUYS, Calif. — Add former President Reagan to the list of celebrities like Tammy Bakker, Bess Meyerson and Kitty Dukakis shopping discount stores. A *New York Post* report noted that electronics equipment, including a TV, a VCR and audio items, were seen being loaded onto a truck headed for the Reagans' California home. The goods came from Adray's, a local four-unit discounter.

EDI Added to SCAN-TECH 89

PITTSBURGH — The Automatic Identification Manufacturers has expanded its SCAN-TECH 89 seminar and trade show to include for the first time companies that only supply electronic data interchange software and services. Previously, EDI technology was exhibited only through firms that also provided automatic identification equipment. SCAN-TECH 89 will be held Oct. 17 to 19 at the San Jose Convention Center in San Jose, Calif.

Office Depot to Open 27 Units

BOCA RATON, Fla. — Office Depot has raised \$20.4 million through the sale of 1.2 million shares at \$18.25 a share. About \$18 million from the stock offering, plus \$9 million from working capital and bank credit lines, will be used to open 27 new stores to almost double the size of the 28-unit office supply warehouse chain.

Consultants Swap Services

NEW YORK — Ernst & Whinney and MAS Marketing, Inc. will provide complementary consulting services to each other's clients. Ernst & Whinney will make its retailing consulting service available to MAS Marketing clients, while MAS will provide its market research services to Ernst & Whinney clients. Chicago-based MAS has market research expertise in the apparel and soft lines area, while Ernst & Whinney, located in New York, is one of the largest international accounting and consulting firms.

Prototype for Kmart's Pay Less NW Plays Up Three Key Service Areas

By Pamela Krein

CAMERON PARK, Calif. — K mart's Pay Less NW subsidiary recently unveiled a new prototype here that attempts to create a stronger drug store identity for the Wilsonville, Ore.-based chain.

By playing up three key service areas—cosmetics, pharmacy/over-the-counter products and photo/camera—the 271-store drug chain is now better positioned for the '90s, said executive vice president Timothy McAlear.

After nine months of planning, the new prototype was tested and refined at one of the chain's former Value Giant stores in Oregon. Since Pay Less operates autonomously from K mart, McAlear said the discounter was not involved in the prototype development.

The result of the drug chain's efforts is a 31,000-square-foot store that is radically different from Pay Less' old format.

"There is absolutely nothing the same from the past," McAlear noted.

While more drug store-oriented categories are enhanced, apparel, automotive, hardware and glassware have been cut back. Store layout is also vastly different, with a modified race-track used, plus graduated gondola heights. Even though the store is rectangular in shape, the layout gives it a triangular appearance.

Overall, the prototype has modern touches like track lighting, brightly colored accents and



Shoppers in the new Cameron Park, Calif., store take advantage of Pay Less' expanded cosmetics department. (DSN photo)

trims, slate wall fixtures and lifestyle graphics.

McAlear said he expects the Cameron Park store to reach between \$6 million and \$8 million in sales volume during its first year.

Pay Less plans to open another 29 stores throughout its Western territory this year. In addition, the chain would like to start remodeling some of its existing stores. However, McAlear said no timetable has been set for the remodeling schedule.

K mart Signs On Backup To Its Main Satellite Hub

TROY, Mich. — K mart has taken out an "insurance policy" for its \$40 million satellite telecommunication network.

GTE Spacenet, which supplied K mart's hub earth station at the discounter's headquarters here, has provided a backup disaster recovery service at the telecommunication firm's hub station in Chicago.

The hub earth station is the heart of the satellite telecommunication network. Its antenna and computer equipment send and receive audio, visual and computer data via the GSTAR 2 satellite from the K mart stores currently connected to the satellite network. About 780 K mart's have satellite dishes and the network should be operating in all stores by the end of 1990.

K mart's disaster recovery data center in Livonia, Mich.,

has been wired to the GTE Spacenet-owned hub. That facility will provide telecommunication services to K mart in the event a catastrophe renders the discounter's hub or main data processing center in Troy inoperative.

GTE Spacenet has dedicated a portion of its Chicago hub's SAC (satellite access controller) transmission capacity as a backup to customers that have contracted for this service, said Dick Pavley, manager of network marketing and new products.

K mart pays a small "insurance" fee for the standby service and a higher fee for any actual use of the backup hub. K mart and GTE Spacenet wouldn't disclose the cost of the backup service.

Should a disaster strike the (Continued on page 85)

DPP Study: Magazines Can Boost Profits

NEW YORK — Magazines produce almost twice as much direct product profit (DPP) per square foot for discounters than the average for their stores.

Moreover, discounters could enhance profits by allocating more space to selling magazines in high-traffic, high-impulse areas.

Those are the conclusions of Touche Ross in the first of several DPP studies that various manufacturers have commissioned.

Touche Ross conducted the magazine DPP study for the Magazine (Cont'd on page 85)

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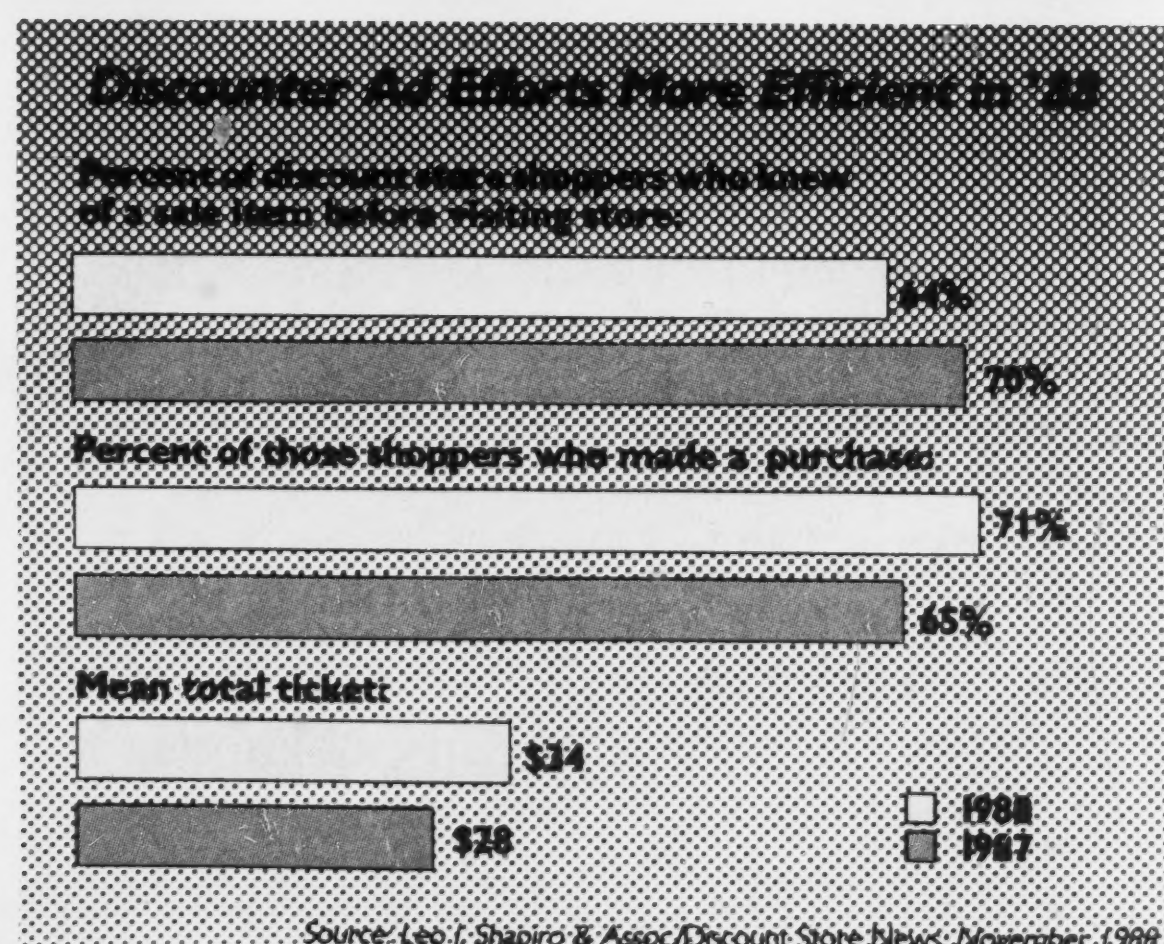
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TRAFFIC BUILDERS

APPAREL/HOME PRODUCTS/HARD LINES



Ads Draw Fewer Shoppers—But More Buyers



Although promotional activity by discounters declined last year, discounters' advertising was more efficient than a year ago. More shoppers going to a discount department store with a sale item in mind made a purchase last year, and the size of the purchase was higher.

The third annual *DSN Traffic Builders Survey* (pages 31 to 66) examines various consumer shopping patterns.

Among them:

- Consumer store preference for particular items;
- The effect of a retailer's promotional efforts on consumer shopping patterns;
- The top traffic building products in apparel, home products and hard lines;
- How age, income and gender affect buying decisions.

TRAFFIC BUILDERS SURVEY

Mass Retailers Retaliate with Promos

By Laura Liebeck

Although many discounters have cut back their ad frequency in the last year, they are reaping higher gains from those ads than ever before.

Discount store shoppers were slightly less aware of special promotions than they were in the previous year. However, they said they are more apt to make a purchase when shopping and likely to spend more money on each trip to the store, according to results of an exclusive study commissioned by DSN.

The report, the third annual Traffic Builders Survey, was conducted by Leo J. Shapiro & Associates, the Chicago-based consumer research firm, for DSN.

The current study suggests that the strength and product diversity of the discount industry, coupled with flat apparel sales, have encouraged other retailers, particularly mass merchandisers and department store operators, to accelerate their advertising activity and cut prices to recover lost market share.

This promotional pressure has been felt by discounters, who have retaliated by instituting a number of adjustments to their business procedures. Among the numerous changes undertaken by some discounters in the last year are reduced advertising schedules, sharper prices and improved in-stock ratios to counter the increased competition and squeeze out profits.

Sales Affect Fewer Shoppers

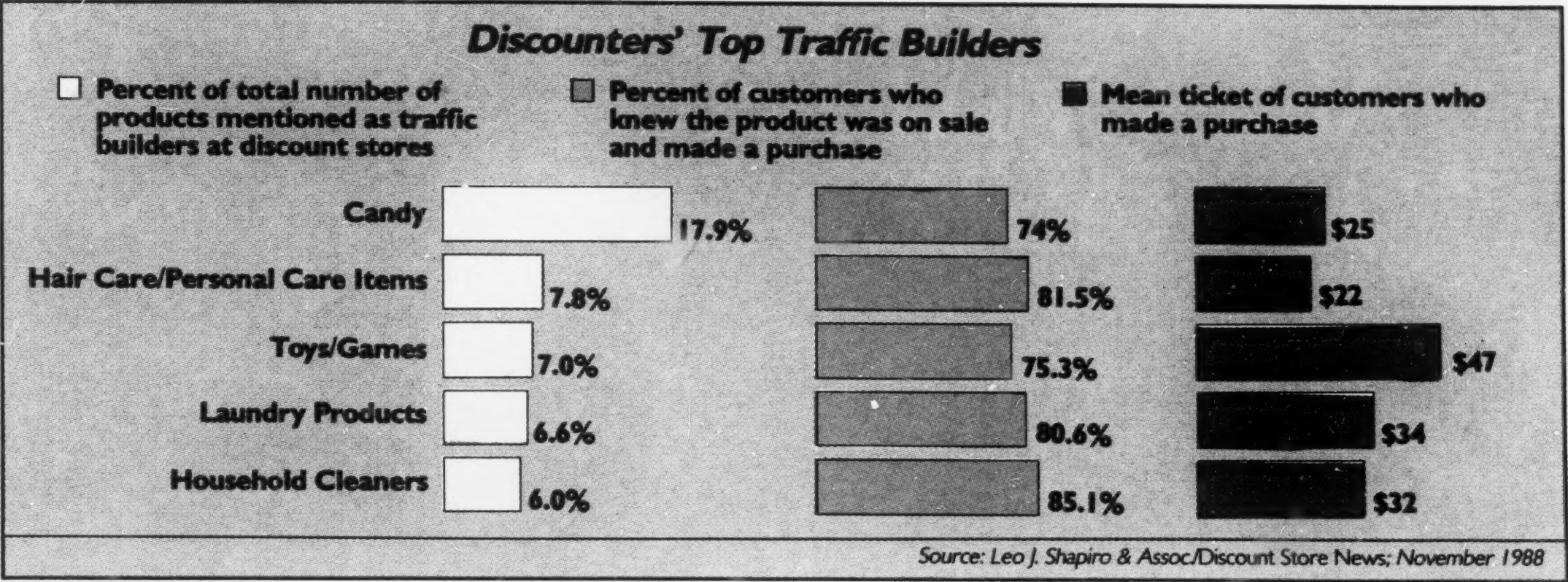
Compared to the previous year, fewer discount store shoppers were aware of sales before visiting the store. Rather than indicating that promotions have been fewer or less effective, this could mean that consumers are shopping discount stores more often and are drawn to the outlets' everyday low prices and broad merchandise selection.

For these regular shoppers, special sales are less important and, perhaps, less noticed, than the popular everyday low prices.

Meanwhile, mass merchandisers and department store operators are concentrating more heavily than ever on apparel and soft home products such as bedding and housewares, and are advertising in these categories vigorously.

Although these are important categories for discounters, they constitute only a part of the merchandise selection available at discount stores. Discounters are apparently reaping the benefits of their broad merchandise mix, which contains a large percentage of hard lines products, many that are not even offered by some of the other types of retailers surveyed.

The broad merchandise offerings and sharp pricing appear to be leading to more destination shopping of discount



stores by shoppers, regardless of promotions. But they also appear to be more aware of ongoing promotions at other retail outlets.

More than six of 10 discount store shoppers reported being aware of a sale before visiting a store, down from seven of 10 the year before. However, seven out of 10 respondents said they made a purchase, spending a mean of \$34 on each trip. In 1987, somewhat fewer customers reported making a purchase when in the store and spent only a mean of \$28.

Customers of mass merchandisers—Sears, JCPenney and Montgomery Ward—department stores and specialty outlets reported being more aware of sales last year

than they were in 1987. Customers of these outlets spent less money on their purchases last year than in previous surveys. This suggests increased promotional activity by these retailers who also have cut margins in order to compete more effectively.

Nearly six out of 10 customers of mass merchandisers said they were aware of a sale before visiting a store, up from less than four of 10 the year before.

In a comparison between specific discount stores and mass merchandisers, Venture customers were the most aware of a sale before visiting a store, 85.2 percent.

Zayre shoppers were the least aware of sales, 37.6 per-

cent, down substantially from the 66 percent rate recorded in the year-earlier survey. In fact, in the 1987 Traffic Builders report, Zayre shoppers were more aware of sales than those that shop at all other outlets surveyed except Venture shoppers.

Target shoppers were also less aware of sales in 1988 than they were in 1987, according to survey results.

JCPenney shoppers posted the most dramatic gain in terms of awareness of sales promotions.

(Continued on page 37)

Department Stores' Top Traffic Builders*

Women's apparel items made nearly a clean sweep on the traffic builder list this year with blouses/shirts and domestics tied for the No. 1 spot.

Percent of total number of products mentioned by shoppers as traffic builders at department stores:	
Women's Blouses/Shirts (4)	9.5%
Domestics (—)	9.5
Women's Lingerie/Sleepwear (3)	7.1
Women's Clothing (1)	7.1
Women's Jeans (6)	7.1
Women's Outdoor Coats/Jackets (—)	7.1
Women's Sweaters (1)	4.8
Women's Dress Pants/Slacks (—)	4.8
Women's Accessories (—)	4.8
Women's Jogging Suits (—)	4.8
Women's Dresses (—)	4.8
Men's Dress Pants/Slacks (—)	4.8

*Top 12 of 20 products mentioned; last year's ranking in (); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Mass Merchants' Top Traffic Builders*

Women's blouses/shirts and lingerie/sleepwear are the top traffic builders for mass merchants.

Percent of number of products mentioned by shoppers as traffic builders at mass merchants:	
Women's Blouses/Shirts (7)	12.6%
Women's Lingerie/Sleepwear (3)	11.7
Women's Sweaters (—)	7.4
Women's Shoes/Boots (—)	6.5
Women's Dress Pants/Slacks (7)	6.1
Sheets, Comforters, Bedspreads (2)	4.3
Women's Clothing (1)	3.9
Women's Dresses (—)	3.9
Women's Outdoor Coats/Jackets (—)	3.9
Men's Dress Pants/Slacks (7)	3.9
Men's Shirts (7)	3.9

*Top 11 of 35 products mentioned; last year's ranking in (); new entries indicated by (—).

Products which dropped out of top 10: bath towels, men's underwear and motor oil.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Discounters' Top Traffic Builders*

Candy and hair care/personal care items draw the most traffic at discount stores.

Percent of total number of products mentioned by shoppers as traffic builders at discount stores:	
Candy (3)	17.9%
Hair Care/Personal Care Items (6)	7.8
Toys/Games (14)	7.0
Laundry Products (7)	6.6
Household Cleaners (1)	6.0
Household Paper Products (2)	5.9
Women's Lingerie/Sleepwear (5)	5.1
Halloween Costumes and Decor (—)	3.6
Other Food/Candy (e.g., peanuts, gum, beer, cookies) (17)	3.3
Women's Shoes/Boots (12)	3.1
Women's Sweaters (13)	2.9
Women's Blouses/Shirts (14)	2.8
Craft Items (—)	2.8
Women's Accessories (—)	2.7
Home Storage (e.g., mirrors closet organizers) (17)	2.5
Other Automotives (e.g., batteries, brake fluid) (16)	2.2
Motor Oil (11)	2.0
Women's Dress Pants/Slacks (—)	1.9
Sheets, Comforters, Bedspreads (—)	1.7
Small Kitchen Appliances (—)	1.7

*Top 20 of 50 products mentioned, last year's ranking in (), new entries indicated by (—).

Products which dropped out of the top 20: plastic kitchen items, women's jogging suits, women's sportswear, other home care (e.g., tool boxes, leaf bags), infants/toddlers' clothing and light bulbs.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

TRAFFIC BUILDERS SURVEY

Mass Retailers Counter Discounters with Promos

(Continued from page 35)

Slightly more than six of 10 JCPenney shoppers said they knew of a sale before visiting the store, up from a little more than a quarter of them the year before. This may be linked to the retailer's merchandise mix, which is now heavily weighted to apparel, soft home products and housewares.

K mart shoppers were less aware of a sale before visiting a K mart store in 1988 than they were in 1987, but JCPenney's, Wal-Mart's, Montgomery Ward's and Sears' customers were more aware of sales.

More than one-third of department store customers said they knew of a sale before going shopping, up from a little more than one-fourth of the

respondents the year before. And almost one-third of the specialty store customers said they knew of a sale before making a shopping trip, up from 20 percent in 1987.

Discount specialty store customers and drug store shoppers were less aware of sales last year than they were the year before.

Among those surveyed, drug store shoppers were the least aware of promotions. Fewer than three in 10 shoppers said they were aware of a sale, compared to more than six in 10 the year before. But drug store shoppers also recorded the highest purchasing rate of any outlet. Ninety percent of all drug store shoppers make a purchase when visiting such a store, but spend only a mean of \$13 per visit, down \$5 from the year before.

Whether customers were more or less aware of sales at the stores they frequently or infrequently shop, the current findings revealed differences in their purchasing decisions as compared with the previous year's polling results.

Household cleaners and paper products were unseated as the two top traffic builders at discount stores, replaced by candy and hair care/personal care items.

Candy Top Traffic Builder

Candy, normally a big traffic builder for discounters—ranking fourth in 1987—soared to No. 1 by a huge margin over second place hair care. This was probably due to the survey's timing. The polling was done Oct. 20 to 23, 1988, just prior to Halloween.

During the first two years of the survey, Leo J. Shapiro & Associates surveyed consumers two weeks earlier, in early October, than they did for the current survey.

In addition, Halloween costumes and decor, unranked in the previous survey by consumers as a traffic builder at discount stores, placed seventh on the top 20 chart in 1988, an unlikely addition at other times of the year.

The current survey of the top 20 traffic builders at discount stores—with 21 items listed because sheets, comforters and bedspreads tied small kitchen appliances for the 20th position—contained 10 hard lines-oriented products, four in the home products category and six from apparel. This compares to 12 for hard lines in the previous year's survey, one in home products and seven in apparel.

The results clearly indicate that relatively inexpensive hard lines products such as food stuffs, household cleaners and automotive accessories, continue to draw customers to discount stores. Based on the strength of many of the responses, discounters appear to be drawing mass merchandiser and department store devotees who at one time shopped those locations for many hard lines goods.

In fact, hard lines products

captured the top six positions on the traffic builders list: candy, hair care/personal care items, toys/games, laundry products, household cleaners and household paper prod-

ucts. The products producing the largest increases in their standing were candy and toys and games.

The same pattern exists for (Continued on page 38)

Individual Retailers' Use Of Promotional Advertising

Venture and K mart again topped the list in promotion dependence this year, and Zayre, last year's No. 3 finisher, dropped to last place.

Percent of shoppers who knew of a sale item before visiting store:

Retailer	Retailer Type	1988	1987
Venture	DDS	85.2%	88.7%
K mart	DDS	68.0	70.9
JCPenney	MM	61.1	26.1
Wal-Mart	DDS	60.9	41.7
Montgomery Ward	MM	57.5	45.4
Sears	MM	42.7	27.9
Target	DDS	38.0	52.7
Zayre	DDS	37.6	66.0

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Dependence on Promotional Advertising

The promotion orientation of discount department stores stayed high this year even with a slight decline. Mass merchandisers, department stores and discount specialty stores accelerated their promotional activity.

Percent of shoppers who knew of a sale item before visiting store:

Type of Retailer*	1988	1987
Discount Department Stores	63.7%	70.3%
Mass Merchandisers	56.2	36.9
Department Stores	34.8	28.2
Specialty Stores	31.5	20.7
Discount Specialty Stores	28.6	32.1
Drug Stores	28.6	62.3

*Sample of catalog showrooms, discount specialty stores and department stores was relatively small in comparison to samples of consumers at discount department stores and mass merchandisers.

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Discounters' Top Traffic Builder Brands*

Tide, Fisher-Price and General Electric led the list of top traffic builder brands pushing Rubbermaid, last year's first place finisher, to fourth.

Percent of total number of brands mentioned by shoppers as traffic builders at discount stores:

Tide (6)	8.9%
Fisher-Price (—)	6.0
General Electric (2)	5.4
Rubbermaid (1)	3.3
Black & Decker (—)	3.0
M&M (—)	3.0
Gitano (—)	2.7
Snickers (—)	2.7
Quaker State (4)	2.7
Reynold's (—)	2.7
Crest (—)	2.7
Act II (—)	2.7

*Top 12 of 50 brands mentioned, which accounted for 48 percent of all brands mentioned; last year's ranking in (); new entries indicated by (—).

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

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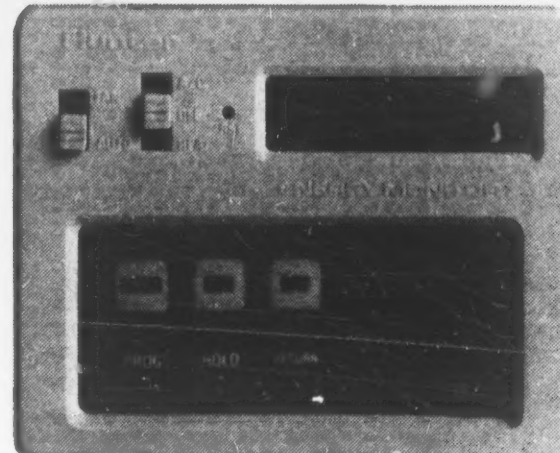
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TRAFFIC BUILDERS SURVEY



The increased use of everyday low price strategies, as at Wal-Mart's Hypermart USA, Topeka, Kan., resulted in less consumer awareness of special sales in 1988. (DSN photo)

Discounters Force Mass Retailers To Retaliate with More Promotions

(Continued from page 37)
home products, the only one of the three broad merchandise categories to place more items on the current traffic builder list than it did the year before. The new home products items on the chart in the 1988 survey were craft items (No. 13), sheets, comforters and bedspreads (No. 20) and small

kitchen appliances (No. 20).

The six apparel products to make the list in the 1988 survey were reshuffled a bit from the previous year's lineup. Women's lingerie, No. 5 on the top 20 list in 1987, fell to seventh place but was the highest ranking apparel traffic builder listed by consumers who shop discount stores.

But even with the small drop, women's lingerie received greater support from consumers as did women's shoes/boots (No. 11), women's sweaters, (No. 12), and women's blouses/shirts (No. 13).

Women's jogging suits, women's sportswear and infants/toddlers' clothing fell off the 1988 traffic builders list, and were replaced by women's dress pants/slacks and women's accessories.

Discounters Gain in Apparel

Although discounters made inroads in the apparel area, despite the loss of one entry in the top 20, mass merchandisers and department stores are still regarded as the primary, and perhaps preferred, outlets for apparel items.

Apparel is, for these two retailers, their calling cards to consumers, especially women's clothing.

Except for one item, the top 10 products consumers list as traffic builders at mass merchandisers, for example, were apparel. Of that, only two items, men's dress pants/slacks and men's shirts, were not women's apparel items. No children's apparel items made the top 10 traffic builders list at mass merchandisers.

It was the same story at department stores. The top 10 traffic builders included only one non-apparel item, domestics, and one apparel item that was not for women, men's dress pants/slacks. No children's apparel items appeared on this top 10 list either.

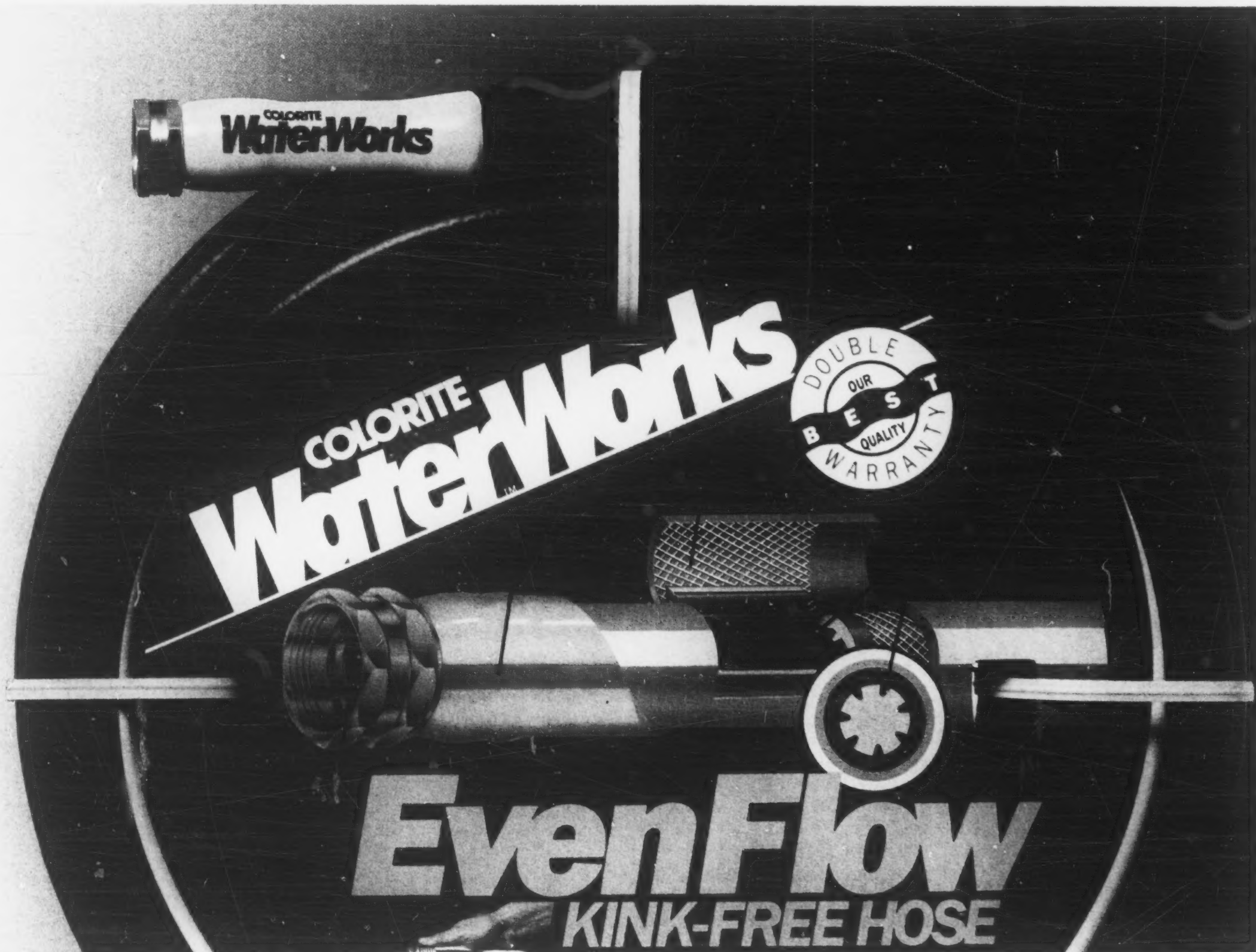
For both mass merchandisers and department store operators, their virtually complete dependence on higher-priced, fashion-oriented goods has jeopardized their economic health, as evidenced by their anemic sales growth. Discounters have also suffered from what many have called a lack of fashion direction. But this is changing.

Survey Cites Gitano

One apparel label, Gitano, made the list of top traffic building brands at discount stores during 1988. This was considerably better than the previous year's report—when apparel sales were suffering from a lack of direction—and no apparel labels appeared on the chart.

The only other brands to make the top 10 traffic builders list again this year were: Tide, which rose from sixth in 1987's survey to No. 1 in 1988; Rubbermaid, which dropped from first on the 1987 survey to fourth in 1988; General Electric, dropping a notch to third from second the year before; and Quaker State, which was tied for seventh in the current survey, down from fourth the year before.

The other top traffic builder brands on the current survey included Fisher-Price, Black & Decker, M&M, Snickers, Reynold's, and Crest, all hard lines labels.



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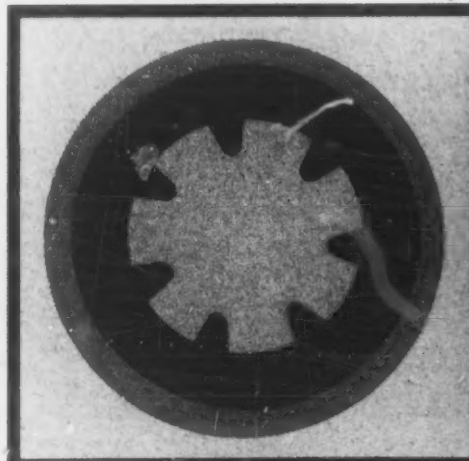
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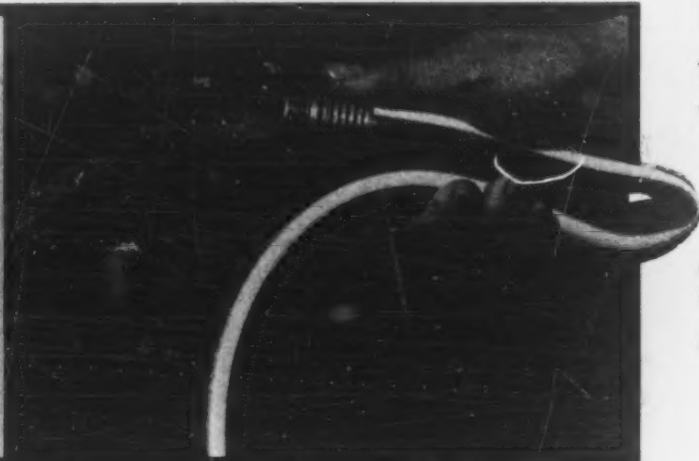
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TRAFFIC BUILDERS SURVEY

Promos Give Discounters Edge in Sales

Discounters are profiting more than other retailers from their merchandise presentations and advertising schedules, both in terms of customer activity and sales receipts.

According to the third annual Traffic Builders Survey conducted for DSN by Leo J. Shapiro & Associates, Chicago, 71.1 percent of discount store shoppers make a purchase when shopping at discount stores, spending a mean of \$34 on each trip. This is up from the previous year, when 65.2 percent of shoppers purchased goods and spent a mean of \$28.

While the mean ticket is lower than other retailing formats except drug stores, discounters have the highest customer purchase rate of any retailer type surveyed. Apparently, when shoppers visit a discount store, they make a purchase.

Survey results indicate that customers are drawn to a discount store for its broad selection of lower-cost, name brand

merchandise. This environment draws customers to the store, providing fertile ground for add-on sales and repeat business.

Apparently, the discount store philosophy of lower everyday prices encourages customers to make multiple purchases while in the stores. And it also appears to make them frequent shoppers.

Survey statistics indicate that discounters are particularly successful at attracting buyers to their selections of lower-cost consumable items.

In addition, discounters seem to be very successful at enticing their customers to purchase more than they planned to buy.

For example, among the many products sold at discount stores, candy, the top traffic builder for discounters, produced a mean sale ticket of \$25, far above the cost of a single candy bar or even a one-pound bag of miniature candy bars. Paint, generally available for under \$12.99 for a one-gallon can, generated a mean

ticket price of \$52. Obviously, consumers are buying much more than one can of paint.

In contrast, women's blouses—the No. 1 item on both the department store and mass merchandiser top traffic builder list—produced a mean ticket of \$47. Women's lingerie, also a big item for these retailers, carried a mean ticket of \$27. Both ticket prices are fairly close to actual sales tags for these items and contain much less add-on sales potential for those retailers.

When it comes to purchasing high-priced merchandise such as TV's, microwave ovens and fine jewelry, customers appear to seek out sales and keep their reserve cash.

According to survey results, the 66.7 percent of shoppers who knew microwave ovens were on sale before shopping the store spent a mean of \$211 to 66.7 percent on the shopping excursion. Automobile tires were purchased by half the consumers who knew they were on sale, spending a mean of \$105.

Apparently, the lower-cost items primarily found at discount stores carry higher customer purchase rates than

higher-priced merchandise and have greater potential for additional sales.

The only retail outlet to outdo discounters in attracting additional purchases is drug stores. Survey results revealed that nine out of 10 drug store customers make a purchase when visiting one of those stores, but spend only \$13 on each trip, down from \$18 a year ago.

Department store operators are able to entice their customers to spend more money in their stores, \$58, than any other retail group surveyed, but the merchandise bought is more costly and they make purchases only 58.2 percent of the time.

Getting customers to make a purchase is slightly more difficult for mass merchandisers. Shoppers of these outlets appear at the cash register 55.4 percent of the time, half a percent less than a year ago. And when shopping at a mass merchant, customers spend just \$41, down \$6 from last year's survey.

Compared with the other retailers, discount specialty store shoppers have the hardest time eliciting purchases

from their customers, 55.8 percent. But that figure represents a two-tenths of one percentage point gain from last year. When shopping at these stores, customers spend a mean \$36, up \$1 from 1987.

Among individual chains, Target shoppers spend more money on each shopping trip than four of the nation's other top discounters, Venture, K mart, Zayre and Wal-Mart.

Target customers spent a mean of \$52 on merchandise in a single trip to the store, according to survey results, \$8 more than its nearest competitor, Venture, and \$21 more than in the 1987 survey. But Venture shoppers purchased goods more frequently than Target customers after seeing a promotion.

In terms of attracting more customers to purchase items on sale, K mart made the biggest strides.

The nation's No. 1 discounter posted almost a 12 percentage point gain in this area. According to survey results, seven out of 10 K mart shoppers who knew of a sale made a purchase, up from less than six out of 10 a year ago. The

(Continued on page 42)

Total Ticket Generated
By Traffic Builders at Discount Stores

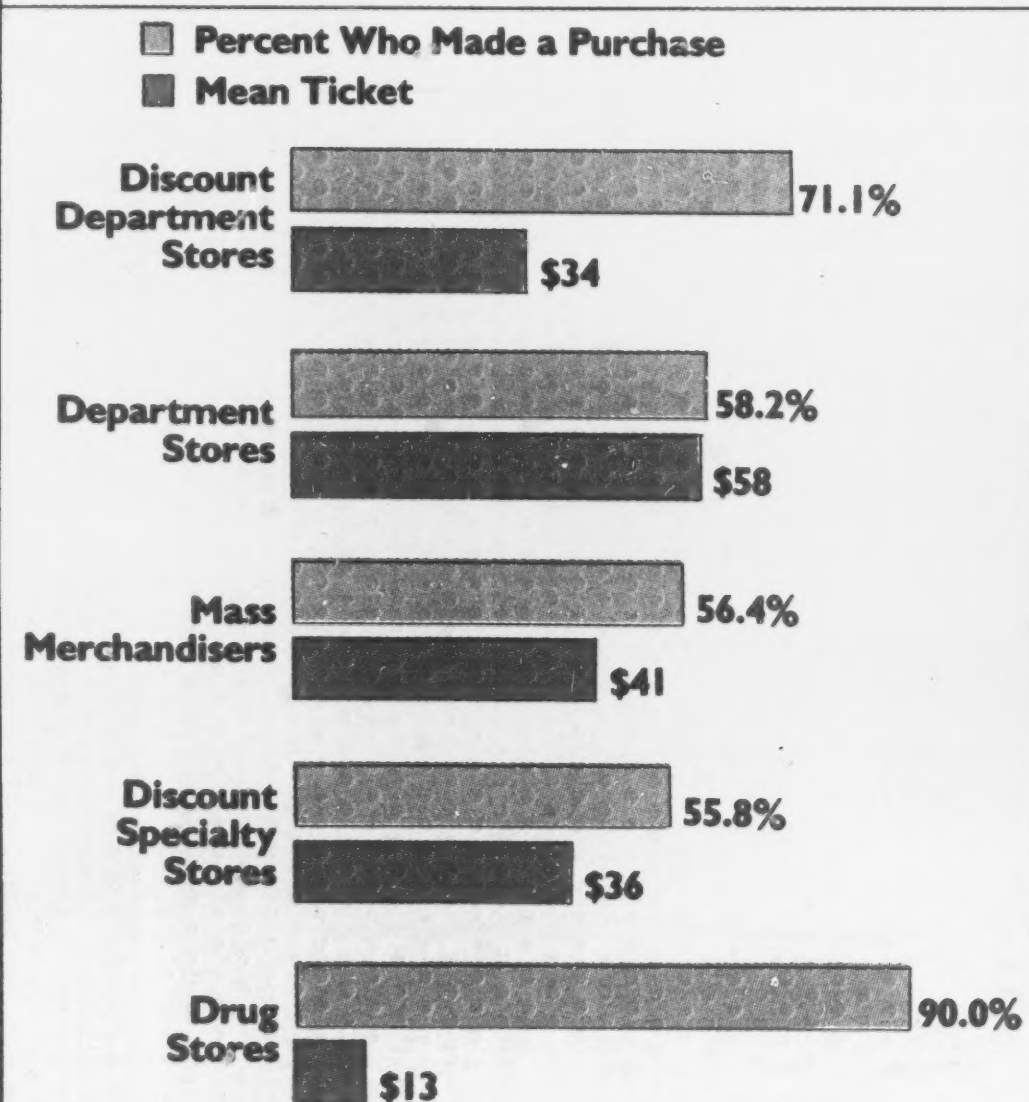
Venture and Target shoppers were most likely to make a purchase, and spend more doing so than almost any other chain.

Store Shopped by Shoppers Who Knew a Product Was On Sale	Percent Who Made a Purchase	Mean Ticket
Target	77.2%	\$52
Venture	82.1	44
K mart	69.4	30
Zayre	70.7	28
Wal-Mart	65.1	28

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Tickets Retailers Garner
From Their Traffic Builders

As a group, discount store shoppers are most likely to make a purchase, but their mean ticket is lower than all other retailers except drug stores.



Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Tickets Generated by Traffic Builders

Product That Shopper Knew Was On Sale	Percent Who Made a Purchase	Mean Ticket
Low Cost Items		
Home Storage (e.g., mirrors, closet organizers)	77.4%	\$ 41
Laundry Products	80.6	34
Household Cleaners	85.1	32
Motor Oil	81.8	30
Household Paper Products	81.3	30
Other Automotives (e.g., batteries, brake fluid)	75.9	27
Candy	74.0	25
Other Food/Candy (e.g., peanuts, gum, beer, cookies)	80.0	25
Hair Care/Personal Care Items	81.5	22
Cosmetics	66.7	22
Middle Cost Items		
Stuffed Animals	66.7%	\$ 75
Small Kitchen Appliances	86.4	62
Cookware	89.5	58
Paint	75.0	52
Men's Shirts	57.1	51
Toys/Games	75.3	47
Women's Blouses/Shirts	66.2	47
Men's Shoes/Boots	61.1	45
Men's Dress Pants/Slacks	52.9	44
Infants/Toddlers' Clothing	50.0	42
Highest Cost Items		
Microwave Ovens	66.7%	\$211
Televisions	50.0	174
Fine Jewelry	66.7	130
Vacuum Cleaners	60.0	127
Tires	50.0	105
Bicycles	75.0	100
Women's Skirts	75.0	91
Upholstered Furniture	66.7	76
Other Electronics (e.g., video tapes, keyboard)	60.0	70
Hard Furniture	70.0	65

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

TRAFFIC BUILDERS SURVEY

Promos Give Discounters Edge over Other Retailers

(Continued from page 41)
mean ticket also edged up, to \$30, from \$26 a year ago.

While more Wal-Mart shoppers who knew of a sale reported making purchases this year, they spent less money in the stores, down \$3 to \$28.

Target didn't fare too well with this measurement. Only 24.6 percent of infrequent shoppers reported visiting a Target store with a sale item in mind last year, a drop of nearly 10 percentage points from the previous survey.

JCPenney had the greatest number of infrequent shoppers in the store when a sale was going on, followed by Sears and Montgomery Ward.

Discounters were separated from mass merchants by nearly 40 points in this measurement, suggesting a customer base that is both more loyal and more inclined to shop frequently, but one that is not as easily swayed by special promotions.

Being able to attract customers to their stores for sales is a double-edged sword for mass merchandisers such as Sears. It's good because they know their ads are reaching the right consumers, but bad news since it shows that these same customers only shop the stores when there is a sale and not when merchandise is at regular prices.

But mass merchandisers'

ability to draw crowds to special sales is growing, thus increasing their ability to make frequent and loyal shoppers out of infrequent, sales-oriented shoppers. This could be potentially bad news for discounters if too many of their customers are lured elsewhere too often.

Nearly eight out of 10 JCPenney's shoppers said they knew of a sale item before shopping the store, up nearly 30 points from last year.

Sears, the nation's No. 1 retailer, charted a nearly 20 percentage point gain in this area. And Montgomery Ward, the 1987 survey leader in attracting infrequent customers to its stores, fell to third among the top three mass merchandisers, but still posted a five point gain over the year-earlier results.

Among discounters, Venture attracted the greatest number of infrequent shoppers with its advertisements.

Wal-Mart, which finished second among discounters in attracting infrequent shoppers on the year-ago survey, fell to third last year and lost its grip on the infrequent shopper pool.

Wal-Mart attracted only 28.4 percent of infrequent shoppers with its ads last year, down from 40 percent. This probably isn't that bad a statistic for Wal-Mart consid-

ering the company maintains a strict everyday low price strategy that limits promotional advertising, and customer loyalty among Wal-Mart shoppers is fairly high.

Of all the customers surveyed, retail ads were most effective in drawing new and infrequent shoppers to purchase such products as apparel, home and personal items.

In measuring the effectiveness of promotions in attracting new and infrequent shoppers, nine of the top 20 products were hard lines items, three were home products and eight were apparel items. A year ago, 10 were hard lines-oriented goods, two were home products and eight were apparel.

Retailers are most effective in attracting shoppers for hard lines products such as candy, laundry products, household paper products, automotive supplies and toys.

Attracting New and Infrequent Customers*

Mass merchandisers are more successful at using promotions to attract infrequent shoppers.

Percent of infrequent shoppers who knew of a sale item before shopping store:

Retailer	Type of Retailer	1988	1987
JCPenney	MM	77.5%	48.4%
Sears	MM	77.3	58.3
Montgomery Ward	MM	74.0	69.7
Venture	DDS	36.8	41.4
K mart	DDS	32.4	22.3
Wal-Mart	DDS	28.4	40.0
Target	DDS	24.6	35.4
Zayre	DDS	23.2	30.9

*Customers who shopped a store less than twice a month

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Effectiveness of Product Promotions In Attracting New and Infrequent Customers

Apparel, home and personal items were most effective in drawing shoppers.

All Who Knew of a Sale Item and Were Coming to Shop For:	Customers Who Shop at This Store	
	Often*	Not Often
Candy	70.5%	29.5%
Hair Care/Personal Care Items	59.8	40.2
Women's Lingerie/Sleepwear	55.2	44.8
Toys/Games	59.3	40.7
Laundry Products	79.2	20.8
Household Cleaners	62.7	37.3
Women's Blouses/Shirts	53.8	46.2
Household Paper Products	71.9	28.1
Women's Sweaters	43.1	56.9
Women's Shoes/Boots	51.7	48.3
Women's Dress Pants/Slacks	48.8	51.2
Women's Accessories	68.3	31.7
Halloween Costume and Decor	63.4	36.6
Other Food/Candy (e.g., peanuts, gum, cookies)	62.5	37.5
Craft Items	81.8	18.2
Home Storage (e.g., mirrors, closet organizers)	48.4	51.6
Sheets, Comforters, Bedspreads	40.0	60.0
Other Automotives (e.g. batteries, brake fluid)	37.9	62.1
Women's Clothing	40.7	59.3
Women's Jeans	54.5	45.5

*Defined as shopping twice a month or more

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Workers' compensation.



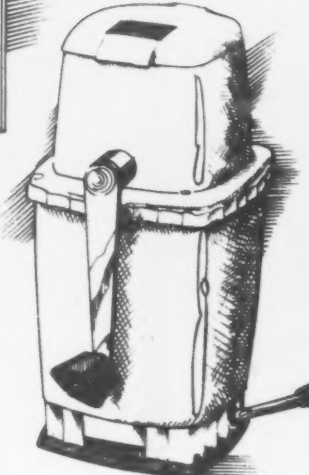
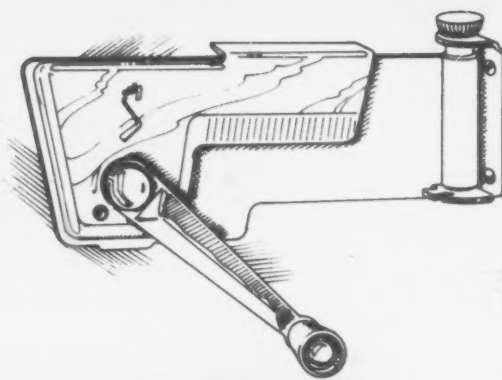
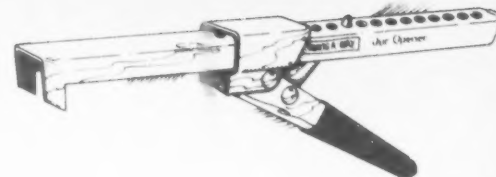
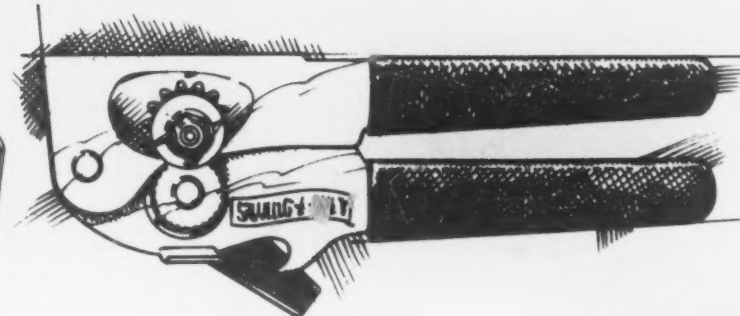
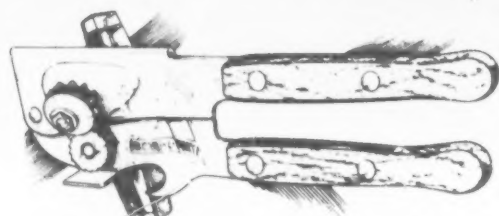
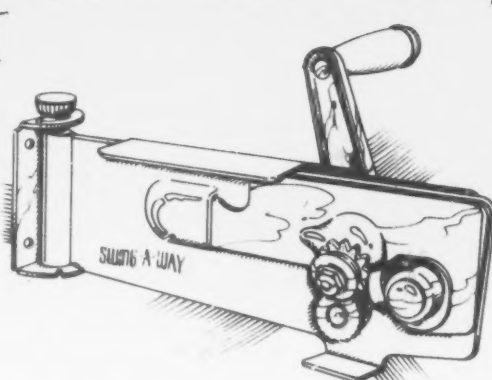
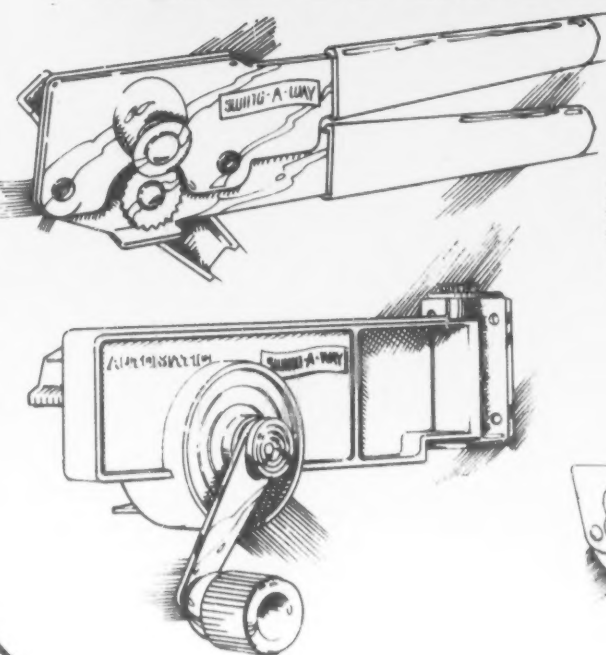
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TRAFFIC BUILDERS SURVEY

Price Consciousness Now Knows No Age Barriers

As expected, women are slightly more sales-conscious than men, and senior shoppers are more mindful of sales than younger shoppers.

But consumers of all ages, male and female, young and old, are increasingly aware of sales and promotions before choosing when and where to go shopping, according to results of the third annual Traffic Builders Survey, conducted for DSN by Leo J. Shapiro & Associates, the Chicago-based consumer research firm.

Rising prices, an uncertain economy and intense competition among retailers have produced a coupon-clipping, circular-carrying consumer.

But unlike years past, this customer is no longer the picture of the middle-class housewife.

Increasingly, today's shopper is just as likely to be a 36-year-old middle-management male with a family, a retired grandfather or a just-graduated college student.

These three shoppers, like the rest of the consuming public, are looking to stretch their limited disposable income as far as it will go.

In fact, men aged 35 to 45 constitute the most sales-conscious shopper of all age and gender groups. Almost six out of 10 men in this age group reported being aware of a sale before entering a store.

For women, the most aware group were shoppers in the 25 to 34 age bracket, with more than half the respondents saying that they were aware of sales and specials.

Rising prices, an uncertain economy and intense competition among retailers have produced a coupon-clipping, circular-carrying consumer.

In 1987, the most aware shopper was female, aged 55 to 64 years. Over 60 percent of women shoppers in that age group were aware of a sale. In the recent study, only 50 percent of women in that age group were aware of a sale.

Perhaps some of the reasons more middle-aged men are aware of sales are related to higher rates of divorce, single parenthood and maintaining a single lifestyle until later in life.

In addition, statistics could be indicating that both spouses are sharing more equally in family chores, including household record-keeping and purchases, and that men are scanning the ad circulars much more frequently than ever before.

What last year's survey

Shopper Profile						
Women are slightly more sale-conscious than are men and older people tend to be more aware of sales than younger shoppers.						
Age	Percent of All Shoppers Who Knew of Sale/Special		Percent of Women Shoppers Who Knew of Sale/Special			
	1988	1987	1988	1987	1988	1987
Under 25	43.7%	33.9%	46.4%	35.6%	36.0%	29.9%
25-34	52.5	45.6	54.9	46.9	44.8	58.6
35-44	50.1	52.7	48.7	53.4	56.5	50.2
45-54	51.1	56.3	54.6	58.7	37.5	50.5
55-64	48.4	57.9	50.3	61.5	42.9	47.2
65 and Over	53.3	53.8	52.9	52.6	54.8	58.9

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

seems to indicate is that age and gender may no longer be sufficient data to predict a customer's awareness of sales and purchasing inclinations. Much more information may be needed to draw conclusions about consumer shopping behavior.

Generally, consumers become more sales-conscious as they get older. It also appears that even the youngest of adult consumers, people under 25, are becoming more informed shoppers.

The gap in ad awareness between the youngest and oldest shoppers is narrowing, too.

Limited Earnings

For example, consumers in the 25 to 34 age bracket are only slightly less aware of sales than the oldest consumers, those aged 65 and over. This is probably due to the younger consumers' limited earnings and pressures from raising a family.

Consumers in the 55 to 64 age bracket were only slightly more aware of special sales than the youngest adult shoppers, those under 25 years of age. This is probably due to the earnings stability of the older middle-age consumer who has raised a family, paid off the mortgage and now enjoys a measure of financial security unavailable in younger years.

The youngest age group and those aged 55 to 64 years topped the list of consumers who were the most unaware of special sales or promotions.

Women under 25 comprised the female shopper most unaware of a special sale, while women 25 to 34 and 45 to 54 were the most aware of store sales and specials.

Among women, shoppers in the 25 to 34 age bracket and those aged 45 to 54 were just about equal in their awareness of special sales, with almost 55 percent of each group responding affirmatively.

Among men, males under 25 constituted the most unaware shoppers of any age group followed by men in the 45 to 54 age bracket, the prime earning years.

Fewer than four in 10 males

under 25 reported being aware of a sale.

Men aged 45 to 54 were just slightly less aware of sales than the male under-25 group with just over 40 percent responding that they were aware of the sale. It's possible to infer that this is because they tend to have enough disposable income to purchase at full price, rather than that they don't have the money to make a purchase.

Men in this age group charted the biggest sale awareness decline between the two surveys, dropping 13 percentage points.

Men aged 25 to 34 were also much less aware of sales now than they were a year ago when almost six out of 10 men reported were aware of sales. In this survey, a little more than four in 10 said they were aware of a sale before shopping.

Compared to the previous year's study, among all consumers as a group, those under 25 and those aged 25 to 34 became more aware of sales and specials. The same was true for women in those two age brackets and women 65 and over. Men, however, were only more aware of sales if they were under 25 or 35 to 44 years old.

Busier Lifestyles

Among all shoppers, consumers 35 to over 65 reported being less aware of sales and specials in last year's survey. Consumers 55 to 64 reported almost a 10 percentage point decline, giving credence to today's busier lifestyles.

Women from 35 to 64 were also less aware of sales, according to the current survey. This group of women probably includes increasing numbers of full-time workers who have less time to read advertisements and more money to make a purchase.

The largest decline of awareness among women shoppers was in the 55 to 64 age group, falling more than 10 percentage points, from more than six in 10 reporting being aware of a sale in the previous survey to just five in 10 last year.

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Sharper Prices Give Edge to Apparel

Four-color advertising layouts featuring the latest fashions at the sharp prices continue to help discounters move apparel from merely a stocked item to more of a traffic builder.

A recently concluded consumer research study revealed that of the top 20 traffic building products at discount stores, six were apparel. Two of these items made the top 10, indicating that shoppers look to discounters to satisfy their apparel needs. This is particularly true in women's apparel and, to a growing extent, in children's clothing.

Although the apparel rankings pretty much mirror those of the year-earlier survey, the results confirm the stability of the category for discounters. The improved rate of mention for the items on the list point to the importance of the merchandise.

Much of the credit for this can be linked to increased ad schedules and promotional pricing, which keeps apparel in the forefront of a consumer's mind.

The ads also appear to be having a substantial impact on the growing numbers of frequent discount store shoppers (defined as customers who shop a store at least twice a month).

Despite the overall standing of apparel, discounters are still having trouble attracting infrequent shoppers into their stores, according to responses from the 3rd annual Traffic Builders Survey.

The was commissioned by DSN and prepared by Leo J. Shapiro & Associates of Chicago, a consumer research firm. It revealed that larger numbers of infrequent shoppers are responding much better than before to apparel ads placed by all retailers, mass merchants and department store operators. However, product sales are still heavily linked to promotional pricing.

Mass merchants and department store operators appear to be suffering more than discounters from a lack of loyalty by regular shoppers and, therefore, are more tied down to frequent sales promotions as a method to draw crowds.

For example, women's lingerie/sleepwear, the top-ranked apparel item on the discount store traffic builders list, was shopped for by almost eight out of 10 frequent shoppers who knew the item was on sale. Two out of 10 reported being infrequent shoppers.

But among all survey respondents, just about six of 10 shoppers identified themselves as frequent shoppers visiting the store because a sale was on. More than four in 10 said they were infrequent shoppers. Last year, seven

out of 10 shoppers identified themselves as frequent shoppers when purchasing lingerie on sale and three out of 10 said they were infrequent shoppers.

The six apparel items identified as top traffic builders by discount store shoppers were women's lingerie/sleepwear, seventh, up two places from the 1987 survey, followed by women's shoes and boots, 10th, women's sweaters in 11th, and women's blouses/shirts in 12th place.

Women's accessories, a new addition to the top 20 list, was 14th and women's dress pants and slacks, also new to the list, came in 18th.

Women's jogging suits, women's sportswear and infants/toddlers' apparel fell off the list this year.

Lingerie/sleepwear was also the top-ranked item on the apparel traffic builders list, the same position it held on the 1987 survey. But this year, lingerie, a hot category for discounters, received a greater number of shopper mentions as a top traffic builder. The popular category also got more attention by all shoppers and even by mass merchandiser customers.

(Continued on page 50)

Customer Response to Apparel Traffic Builders

Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	
Women's Lingerie/Sleepwear	55.2%	75.9%	\$27
Women's Blouses/Shirts	53.8	66.2	47
Women's Sweaters	43.1	58.6	34
Women's Shoes/Boots	51.7	70.7	36
Women's Dress Pants/Slacks	48.8	62.8	33
Women's Jeans	54.5	77.3	56
Women's Jogging Suits	57.9	68.4	41
Men's Shoes/Boots	44.4	61.1	45
Women's Sportswear	47.1	64.7	32
Men's Dress Pants/Slacks	41.2	52.9	44
Infants/Toddlers' Clothing	62.5	50.0	42
Cosmetics	20.0	66.7	22
Men's Shirts	42.9	57.1	51

*Shoppers who shopped store at least twice a month

**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Traffic Builder Products: Apparel

Product Category	Percent of Total Mentions at All Stores	Discount Stores		Mass Merchandisers			
		Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category		
Women's Lingerie/Sleepwear	6.1%	5.1%	64.4%	11.7%	31.0%	7.1%	3.4%
Women's Blouses/Shirts	4.5	2.8	46.2	12.6	44.6	9.5	6.2
Women's Sweaters	4.0	2.9	55.2	7.4	29.3	4.8	3.4
Women's Shoes/Boots	4.0	3.1	58.6	6.5	25.9	2.4	1.7
Women's Dress/Pants/Slacks	3.0	1.9	48.8	6.1	32.6	4.8	4.7
Women's Accessories	2.9	2.7	70.7	3.5	19.5	4.8	4.9
Women's Clothing	1.9	1.2	48.1	3.9	33.3	7.1	11.1
Women's Jeans	1.5	1.3	63.6	1.3	13.6	7.1	13.6
Women's Jogging Suits	1.3	1.3	73.7	1.3	15.8	4.8	10.5
Other Children's Clothing	1.3	1.0	57.9	2.6	31.6	2.4	5.3
Men's Shoes/Boots	1.3	1.3	77.8	0.9	11.1	—	—
Women's Dresses	1.2	0.5	29.4	3.9	52.9	4.8	11.8
Women's Outdoor Coats/Jackets	1.2	0.4	23.5	3.9	52.9	7.1	17.6
Women's Sportswear	1.2	1.1	70.6	1.7	23.5	—	—
Men's Dress Pants/Slacks	1.2	0.6	35.3	3.9	52.9	4.8	11.8
Infants/Toddlers' Clothing	1.1	1.5	100.0	—	—	—	—
Cosmetics	1.0	0.5	33.3	1.7	26.7	9.5	26.7
Men's Shirts	1.0	0.4	28.6	3.9	64.3	2.4	7.1
Men's Jeans	0.9	0.5	38.5	2.6	46.2	2.4	7.7
Men's Clothing	0.8	0.5	41.7	3.5	66.7	—	—
Costume Jewelry	0.8	0.3	27.3	0.9	18.2	2.4	9.1
Girls' Clothing	0.7	0.5	50.0	2.2	50.0	—	—

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

APPAREL/TRAFFIC BUILDERS



Women's clothing accounted for 12 of the top 20 items on the apparel traffic builders list. (DSN photo)

Sharp Prices, Four-Color Ads Help Discounters Move Apparel

(Continued from page 49)

Women's clothing accounted for nine of the top 10 apparel items and 12 of the top 20 items on the apparel traffic builders list, about the same results as the previous year.

However, the order of the line-up changed significantly.

For example, women's blouses and shirts moved up one notch to second; women's sweaters bumped up two spots to third; second place women's shoes and boots fell to fourth; and women's dress pants and slacks leaped to fifth from 13th.

New to the top 20 list are women's jeans, other children's clothing, men's shoes/boots, women's dresses, men's dress pants/slacks, cosmetics, men's jeans, men's clothing, costume jewelry and girls' clothing.

Infants/toddlers' clothing, eighth on 1987's survey, down from sixth in 1986, fell to 16th place in 1988. Other children's clothing, not mentioned in the 1987 traffic builders survey, was 10th in 1988.

This kind of movement is reflective of the changing marketplace and growing chil-

dren's apparel business.

The shift in emphasis has been recognized by a number of discounters, who have been readjusting their merchandise mix to reflect greater supplies of girls' and boys' apparel.

One example of this is Gitano's current purchase agreement for The Children's Place, Sears' opening of its new McKid's children's apparel stores, and the No. 1 retailer's remerchandising of its children's apparel department.

This investment in children's apparel doesn't necessarily reflect a de-emphasis on infants/toddlers' apparel—since a mini baby boom appears obvious—but rather a long-term commitment to children's apparel in general.

Men's fashions also appear to be on the rise for discounters and other operators.

Although no men's apparel items made the list of discounters' top 20 traffic builders or the top 10 in apparel, five men's apparel items made the top 20 apparel list. And two items, men's shoes and boots and men's shirts, were mentioned by shoppers as items they look for on sale.

For example, men's shoes and boots were mentioned by almost half of frequent shoppers and were purchased six out of 10 times when on sale.

When it comes to men's shirts, four of 10 shoppers mentioned them as apparel traffic builders with nearly six of 10 saying they made a purchase when they knew shirts were on sale.

In fact, men's shirts may be the biggest generator of add-on sales in the apparel department, according to the Shapiro study.

Obvious Traffic Builder

With a mean ticket of \$51, men's shirts are an obvious traffic builder and generator of add-on sales since a single shirt rarely costs more than \$20 at a discount store.

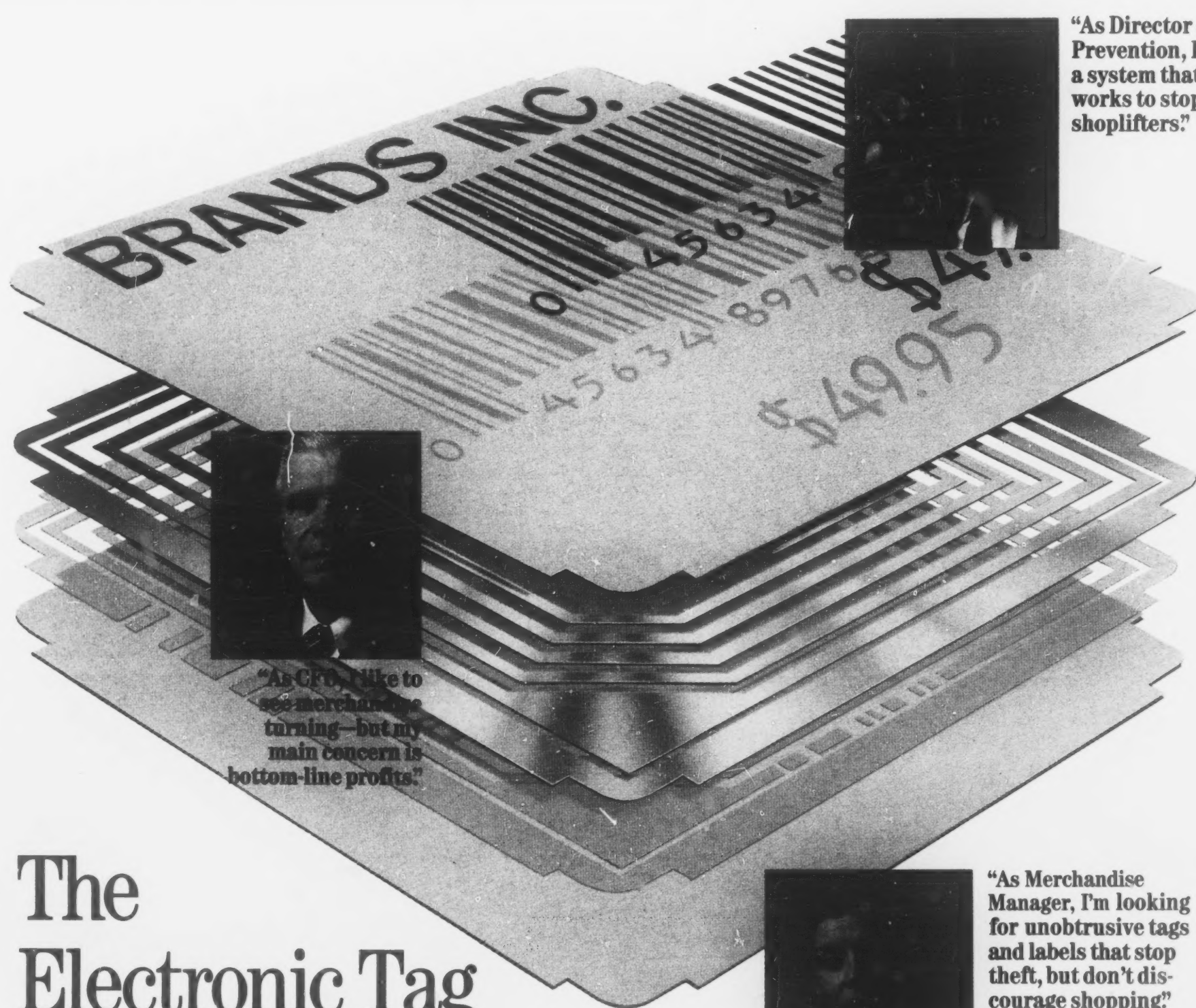
Women's jeans, also a traffic builder, but more often when the item is on sale, produced a mean ticket of \$56, almost double the average discount store price of under \$30 per pair.

Infants/toddlers' apparel, a big seller at regular price, had a mean ticket of \$42, indicating substantial add-on sales.

Even with the highly promotional nature of apparel, discounters are still reaping the benefits of add-on sales once the shopper is in the store.

For example, discount store shoppers spent a mean \$34 when shopping, up \$6 from a year ago. And of the top ranked traffic builders in the apparel department, only four had average ticket prices below \$34. These include: cosmetics (\$22), women's lingerie/sleepwear (\$27), women's sportswear (\$32) and women's dress pants/slacks (\$33).

The list of top traffic builders brands included one apparel label, Gitano. Last year, no apparel labels made the list.



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TRAFFIC BUILDERS

HOME PRODUCTS

HOUSEWARES / DOMESTICS / PHOTO / CONSUMER ELECTRONICS / HOME OFFICE / RTA FURNITURE

Ads Lure Home Products Buyers

Exactly how successful retailers are in attracting customers to their selections of home products largely depends on the specific item advertised, according to a recent survey of consumer buying habits.

The third annual Traffic Builders Survey, conducted for DSN by Chicago-based consumer research firm, Leo J. Shapiro & Associates, confirmed that home products is a category of merchandise that is stubbornly tied to promotions, particularly in the area of small electric appliances, domestics and craft items.

But with the growing emphasis on coordinated home fashions—including appliances—the pressure on price alone may eventually ease.

In the meantime, the fashion orientation of home products, from domestics to appliances, is being steered along a plane of steadily improving sales and profitability.

Previously No. 9, craft items jumped to top the list of home products traffic builders.

Manufacturers and retailers are working jointly to determine color palettes, designs and period motifs to help drive the business and encourage add-on sales.

For example, through such organizations as the Center for Homewares Design, manufacturers work together to determine the year's color scheme and patterns that can be easily adapted to numerous home-related products, from pot holders to lamp shades and corrugated storage containers to plastic flower pots.

Such efforts have raised the potential for add-on sales at the retail level, as seen by the popularity of mauve, slate blue and the geese theme.

Although many retailers have reported that the increased emphasis on coordinated home fashions has worked fairly well in encouraging consumer sales, particularly of the add-on type, the results of the Traffic Builders Survey don't, at least as yet, bear that out.

The survey results are unclear concerning home products' ability to incite add-on sales. Some seem to create extra sales while others very definitely don't.

Low-cost home products such as mirrors and closet organizers were the most productive of lower-cost items in all merchandise categories, at

Traffic Builder Products: Home Products							
Product Category	Percent of Total Mentions at All Stores	Discount Stores		Mass Merchandisers			
		Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category		
Craft Items	2.3%	2.8%	90.9%	—	—	—	—
Home Storage (e.g. mirrors, closet organizers)	2.2	2.5	87.1	1.3%	9.7%	—	—
Sheets, Comforters, Bedspreads	2.1	1.7	63.3	4.3	33.3	2.4%	3.3%
Small Kitchen Appliances	1.5	1.7	86.4	0.9	9.1	2.4	4.5
Cookware	1.3	1.7	94.7	0.4	5.3	—	—
Plastic Kitchen Items	1.3	1.6	94.4	—	—	—	—
Videotape	1.0	1.3	93.3	—	—	—	—
Window Coverings	0.9	0.9	76.9	1.3	23.1	—	—
Hard Furniture	0.7	0.7	80.0	—	—	—	—

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

a mean ticket of \$41. In mid-cost products, small kitchen appliances and cookware were the second and third most productive products overall per shopper, with mean tickets of \$62 and \$58, respectively. Microwave ovens and televisions were the top two ticket generators among high-cost items, with mean tickets of \$211 and \$174, respectively.

However, in the mid-price range, other home products like sheets, bath towels and fabrics fared very poorly, finishing in the bottom of the ranks. Window coverings, electronic equipment and accessories were relatively poor mean ticket performers among high-cost items.

These are, of course, very broad price categories, and the \$174 per TV probably leaves a lot less to spend on other products than does the \$70 spent by electronic equipment and accessories shoppers. Similarly, \$30 might buy a sheet set or a comforter, but not much more, while the mean \$26 spent by bath towel shoppers could account for significant add-on sales.

Further, \$41 spent on a small kit of ventilated shelving would leave little left over. But if that same \$41 was spent on corrugated or plastic organizers, the add-on purchase potential is much greater.

It therefore is very difficult to generalize about home products and their add-on sales potential. While many retailers have said that coordination within the

Customer Response to Home Products Traffic Builders			
Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	
Home Storage, (e.g. mirrors, closet organizers)	48.4%	77.4%	\$41
Sheets, Comforters, Bedspreads	40.0	63.3	30
Small Kitchen Appliances	54.5	86.4	62
Cookware	89.5	89.5	58
Window Coverings	53.8	53.8	34

*Shoppers who shopped store at least twice a month
**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

domestics and housewares departments have created additional sales, there is no clear-cut evidence from the survey that this is so.

The top traffic builder in

home products this year was craft items, up from No. 9 among home products on the previous survey.

Craft items are very low-cost goods in discount stores, with a mean price tag of about \$15. But \$15 buys a lot of craft merchandise and discounters are able to reap the full benefit of the category since mass merchandisers and department store operators ignore the category almost entirely.

Craft products have become so popular in the last few years, a result of more families getting down to basics, that they came in 13th on the top 20 traffic builder list for discounters, making crafts the top-rated home product this year, up from No. 31

overall a year ago.

In all, only four home products made the discounters top 20 traffic builder list, down one item from the 1987 survey. But on the previous survey, household cleaners, laundry products and household paper products were included in the home products section and topped the list. This year they are included in hard lines.

The other top traffic builders on the current survey are: other home storage; sheets, comforters and bedspreads; and small kitchen appliances, all new to the list. Plastic kitchen items, which were fourth in 1987.

Within the home products category, craft items topped the list, followed by other home storage, sheets, comforters and bedspreads, small kitchen appliances, cookware, plastic kitchen items, videotape, window coverings and hard furniture.

All of these products received high mention rates by discount store shoppers as top
(Continued on page 58)



In mid-cost products, cookware was the third most productive item overall per shopper. (DSN photo)

HOME PRODUCTS/TRAFFIC BUILDERS

Advertisements Attract Home Products Buyers



Sheets, comforters and bedspreads are the most competitive of the home products.
(DSN photo)

(Continued from page 57)
traffic builders. They were hardly mentioned as traffic builders by mass merchandiser and department store shoppers, leaving the market fairly open for discounters.

But there are several home products categories in which mass merchandisers and department store operators do actively compete. Mass merchants, as always, were very strong in sheets, comforters and bedspreads and window coverings, and to a lesser degree, did well promoting assorted home products like mirrors and closet organizers, small kitchen appliances and

plastic kitchen items.

In addition to sheets, comforters and bedspread business, department stores also compete for business in assorted domestics and small kitchen appliances. But according to shopper responses, discounters are shopped more frequently for these items.

The most competitive of the home products, apparently, are sheets, comforters and bedspreads. But they don't appear to generate a lot of add-on sales for any retailer, discounters included. With a mean ticket price of \$30, down \$4 from the previous survey, consumers appear to be buy-

ing pre-packaged sheet sets, an inexpensive comforter or bedspread.

In addition, these domestics items also seem to be highly promotional, drawing crowds and purchasers when the items are on sale.

But perhaps the product with the most sale-conscious buyer is cookware. According to consumer responses, nine out of 10 named cookware as a product they shop for. Nearly as many said they knew the product was on sale at the time of the purchase.

Of the shoppers who said they made a cookware purchase, the mean ticket was \$58, a dramatic rise from the \$27 reportedly spent in the 1987 survey. The rising ticket probably indicates that cookware sets, and not individual pieces, were sold, a definite change from the survey last year.

Small kitchen appliances carried a slightly higher mean ticket, \$62. This can be attributed to one pricey item such as a food processor, several smaller appliances or generous add-on sales.

Sheets, comforters and bedspreads seem to be highly promotional, drawing crowds and purchasers when the items are on sale.

Window coverings is still an enigma. A little over half of shoppers who were attracted to a store by window treatments promotions were frequent shoppers, and about the same percentage who actually purchased window treatments said that they knew of a sale before shopping.

However, despite the move toward more upper-end window coverings, shoppers reported spending just \$34 on window coverings, up \$5 from a year ago. Customers appear to be tied to the lower-end vinyl blinds and shades and either are buying multiples of these items or spreading their cash around the store.

Other home products that don't appear to be offering retailers much in the way of add-on sales include: microwave ovens, with a mean ticket of \$211; TV's, \$174, down from \$210 on the year-earlier survey; upholstered furniture, \$76; other electronics, \$70; and hard furniture \$70, down \$17 from a year ago.

On the top brands list, discount store shoppers mentioned just three home products labels, General Electric, Rubbermaid and Reynold's. The last survey had Rubbermaid and GE as the top two.

In the current survey, Rubbermaid dropped to fourth, in a tie with Black & Decker, which straddles both home products and hard lines. GE finished third, behind Tide and Fisher-Price.

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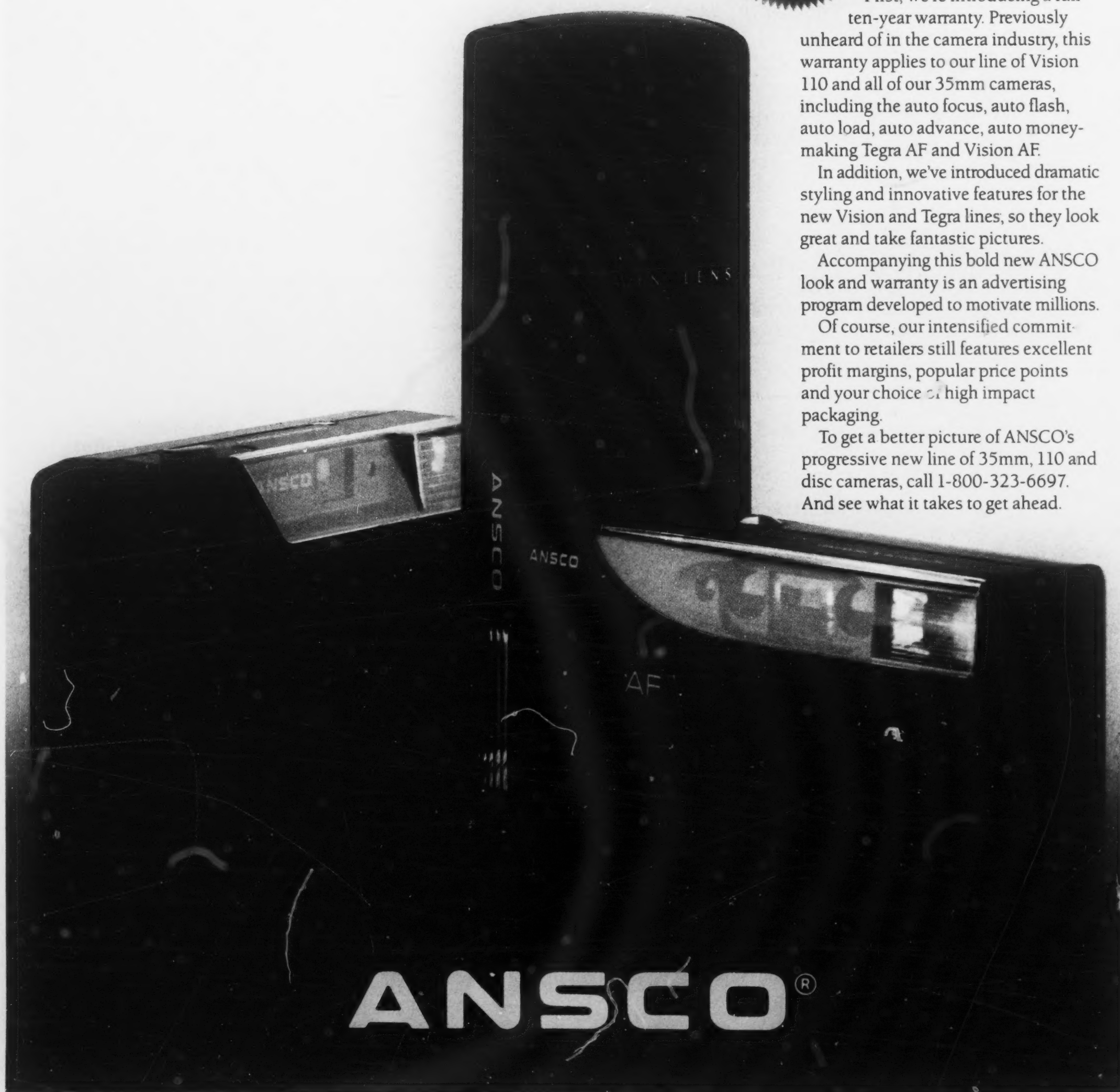
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TRAFFIC BUILDERS

HARD LINES

AUTOMOTIVES/HEALTH & BEAUTY AIDS/HARDWARE/TOYS/STATIONERY/SPORTING GOODS/DIY

Fast-Turning Items Draw Customers

Half of the top 20 traffic-building products at discount stores were quick-turning, higher-margin hard lines items, according to the results of the third annual Traffic Builders Survey conducted for DSN late last year by Leo J. Shapiro & Associates, the Chicago-based consumer research firm.

Despite the dominance of hard lines in the top 20, the results indicate a two-item decline from 1987. But many of the products on the list, especially the best performers, received consumer mention rates that were substantially higher than they were in the year-earlier survey.

This is especially noteworthy since mass merchandisers and department store operators carry very few traditional hard lines products, particularly the top traffic builders, leaving the field open for discounters.

Also, the mean ticket price attached to numerous hard lines products increased over the last year, indicating that these items produce add-on sales for retailers.

Products such as candy, personal care items, household cleaners and supplies, and automotive accessories constitute some of the fastest moving and profitable traffic-building items in a discount store, the survey showed.

In general, hard lines goods carry with them the potential for substantial add-on sales because of their usually lower price tags. This is not as frequently found in higher-priced products in other categories.

Also, since most of the hard lines products identified in the survey, such as those mentioned above, are not found at mass merchandisers and department stores, discounters have an edge in selling consumers more than they intend to buy when they first enter the store.

But this doesn't always work out, particularly in such departments as home improvement.

Discounters have been paring down their assortments of home improvement/hardware products in response to heated competition from home centers. In addition, many discounters have also trimmed or eliminated automotive service departments in the wake of the growing strength of the automotive specialty chains. Automotive accessories, however, remains a vital department for discounters.

But with streamlined assortments, some hard lines areas have declined in popularity, and the de-emphasis of certain products at a number of discount stores has affected some of the shopping statistics for hard lines.

For example, fewer hard lines shoppers reported being aware of sales, and purchased a number of hard lines products less frequently, according to survey results.

Candy topped the list as the No. 1 hard lines traffic builder last year, outdistancing second place hair care/personal care items, 1987's top finisher, by a substantial margin.

Candy normally does well for discounters, as do other snack foods, but this year confectionary products showed a dramatic gain in the standings. This was probably due to the fact that the polling was conducted just prior to the Halloween holiday, strong evidence that special holidays attract shoppers.

But even with the holiday at hand, survey respondents reported being acutely aware of candy promotions—more than double the mention rate of hair care products. This is somewhat odd since candy is a relatively cheap product and sales amount to only nickels and dimes off regular prices.

Even still, consumers said they spent a mean of \$25 on (Continued on page 64)

Customer Response to Hard Lines Traffic Builders

Product Category	Percent of Mentions by Frequent Shoppers at All Stores*	Percent of Shoppers Who Bought a Product They Knew Was On Sale	
Candy	70.5%	74.0%	\$25
Toys/Games	59.3	75.3	47
Laundry Products	79.2	80.6	34
Household Cleaners	62.7	85.1	32
Household Paper Products	71.9	81.3	30
Other Food/Candy (e.g., peanuts, gum, beer, cookies)	62.5	80.0	25
Other Automotives (e.g., batteries, brake fluid)	37.9	75.9	27
Other Home Care (e.g., tool boxes, leaf bags)	65.0	75.0	28
Other Recreation (e.g., wagons/child's rocking chairs)	64.3	50.0	42

*Shoppers who shopped store at least twice a month

**Could include other items as well as sale items

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

Traffic Builder Products: Hard Lines

Product Category	Percent of Total Mentions at All Stores	Discount Stores		Mass Merchandisers		Total Mentions	Category
		Percent of Total Mentions	Percent of Mentions in Category	Percent of Total Mentions	Percent of Mentions in Category		
Candy	13.9%	17.9%	97.5%	0.9%	1.0%	2.4%	0.5%
Hair Care/Personal Care Items	6.4	7.8	92.4	1.3	3.3	—	—
Toys/Games	5.6	7.0	93.8	0.4	1.2	—	3.4
Laundry Products	5.0	6.6	100.0	—	—	—	—
Household Cleaners	4.7	6.0	97.0	0.4	1.5	—	—
Household Paper Products	4.5	5.9	100.0	—	—	—	—
Halloween Costumes, Decor	2.9	3.6	95.1	0.9	4.9	—	—
Other Food/Candy (e.g., peanuts, gum, beer, cookies)	2.8	3.3	90.0	—	—	—	—
Other Automotives (e.g., batteries, brake fluid)	2.0	2.2	82.8	1.3	10.3	—	—
Motor Oil	1.5	2.0	100.0	—	—	—	—
Over-the-Counter Drugs	1.5	1.7	85.7	—	—	—	—
Other Home Care (e.g., tool boxes, leaf bags)	1.4	1.6	85.0	0.9	10.0	—	—
Diapers	1.3	1.7	100.0	—	—	—	—
Plants	1.2	1.6	100.0	—	—	—	—
Batteries	1.0	1.3	93.3	0.4	6.7	—	—
Other Recreation (e.g., wagons/child's rocking chairs)	1.0	1.2	92.9	—	—	—	—
Other Books/Stationery	0.9	1.0	84.6	0.4	7.7	—	—
Pets/Pet Supplies	0.9	1.1	92.3	—	—	—	—
Light Bulbs	0.8	1.1	100.0	—	—	—	—
Juice	0.7	0.9	100.0	—	—	—	—
Popcorn	0.7	0.9	100.0	—	—	—	—

Source: Leo J. Shapiro & Assoc./Discount Store News; November 1988

HARD LINES/TRAFFIC BUILDERS

Candy, Personal Care Generate Hefty Add-Ons

Among discount store shoppers, mentions of hair care/personal care items rose to 7.8 percent, from 4.4 percent the year before. This occurred in an arena of increased competition from mass merchandisers, which stepped up efforts in this product category.

(Continued from page 63) each trip in which they purchased candy, much more than the price of a candy bar, package of gum or one pound bag of assorted candies. Obviously, consumers are buying much more than candy when they go shopping for confectionary products.

This is noteworthy since discount store shoppers re-

ported spending a mean of \$34 on each shopping trip, \$6 more than they spent in 1987.

Although hair care/personal care items dropped to second place on the current hard lines survey, the category's rate of mentions rose substantially, from 5.2 percent on the 1987 survey to 6.4 percent.

Among discount store shoppers, mentions of hair care/

personal care items rose to 7.8 percent from 4.4 percent the year before. This occurred in an arena of increased competition from mass merchandisers, which stepped up efforts in this product category.

At the same time, department store operators appear to have released their hold on hair care products. No survey respondents mentioned department stores as likely places to purchase hair care/personal care products, compared with 2.3 percent who did so in the 1987 survey.

Of the top 10 hard lines products to make the Traffic Builder list in 1987, only four were repeats. This is due, in part, to a slight reshuffling of product categories by DSN.

In the 1988 survey, laundry products, household cleaners and household paper products were included in hard lines rather than home products.

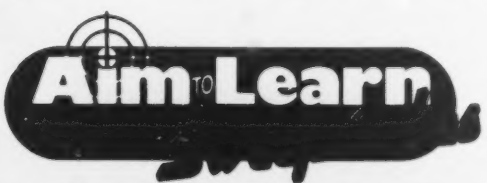
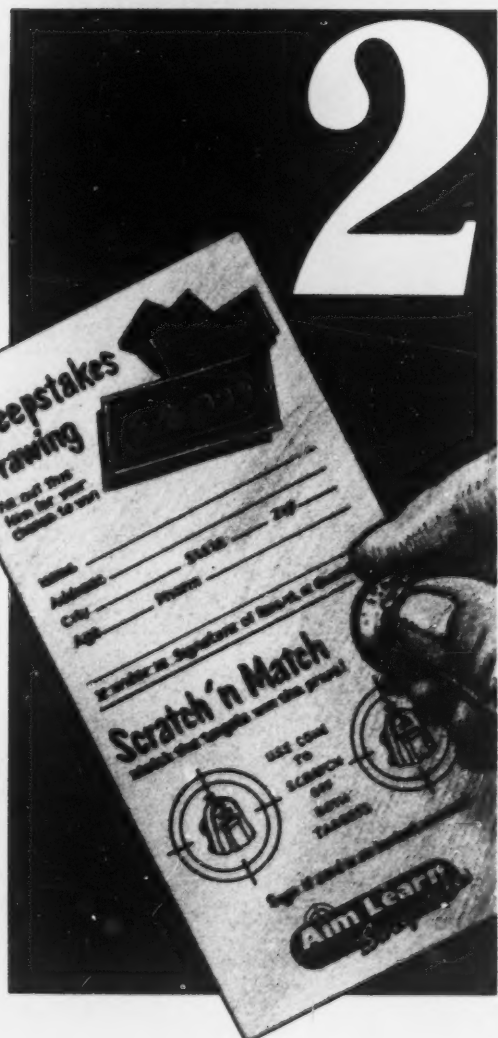
These items were ranked four, five and six, respectively, on the current survey of hard lines products, compared to four, one and two, respectively, on 1987's home products list.

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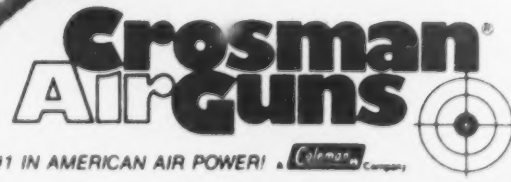
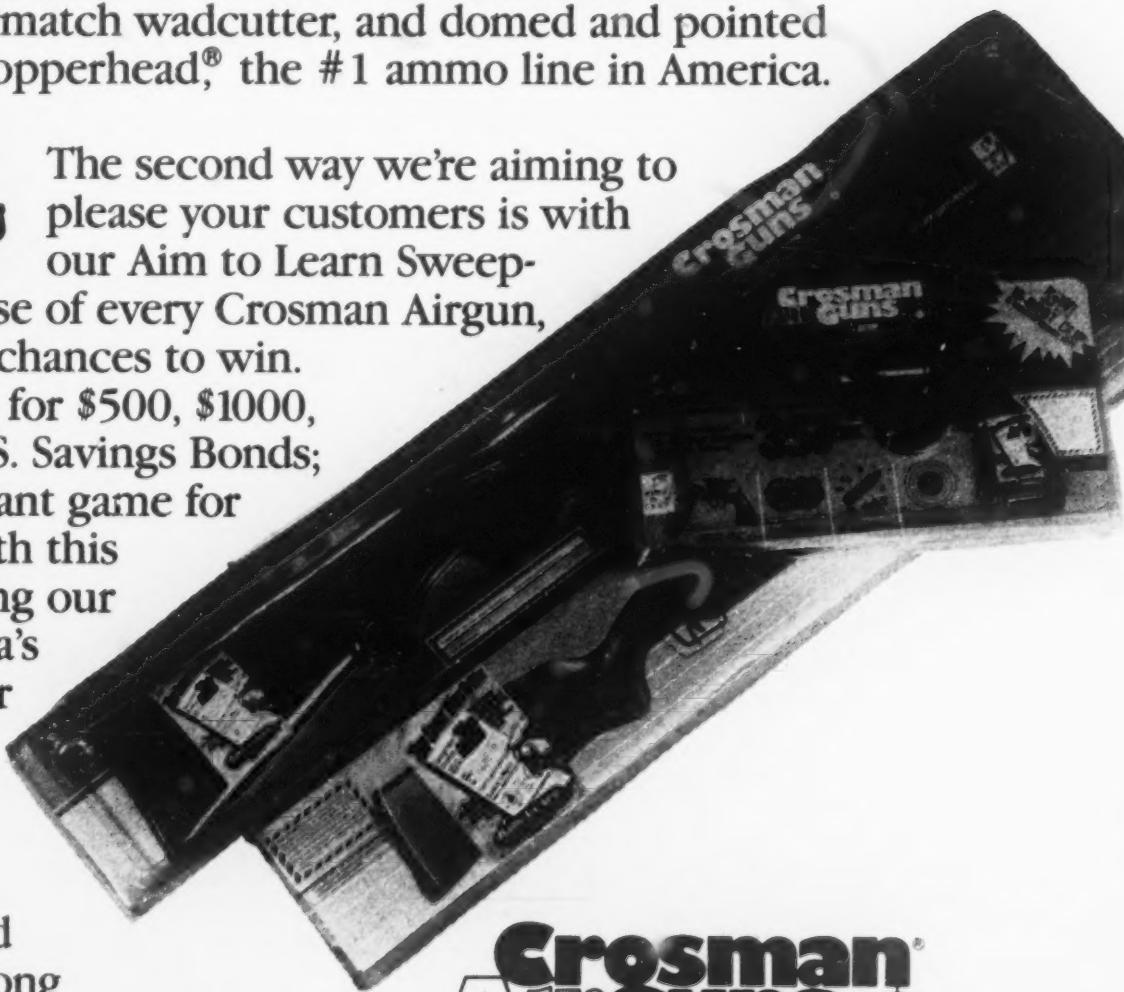


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Toys at Ames, Rocky Hill, Conn.: Consumers placed toys and games third among hard lines product categories in the 1988 survey. (DSN photo)

Only laundry products posted a gain in the number of total mentions and percent of discount store shoppers that named the category as a top traffic builder. Furthermore, the mean ticket skyrocketed from \$18 to \$34.

Both household cleaners and household paper products recorded a slight decline in the number of mentions for these products but still garnered a fairly high response percentage by customers reporting they were aware of sales and often shop discount stores. Even with the decline, household paper products, for example, posted a gain in its mean ticket price, from \$23 to \$30 on the current survey.

Toys and games, the No. 2 category on the hard lines Traffic Builders chart, rose from 14th to third on the current list at discount stores.

In fact, toys doubled its total mention rate in the hard lines category, from 2.8 percent in 1987 to 5.6 percent in the current list, and from 2.4 percent among discount store shoppers to 7 percent. Moreover, the mean ticket price jumped from \$33 to \$47.

(Continued on page 66)

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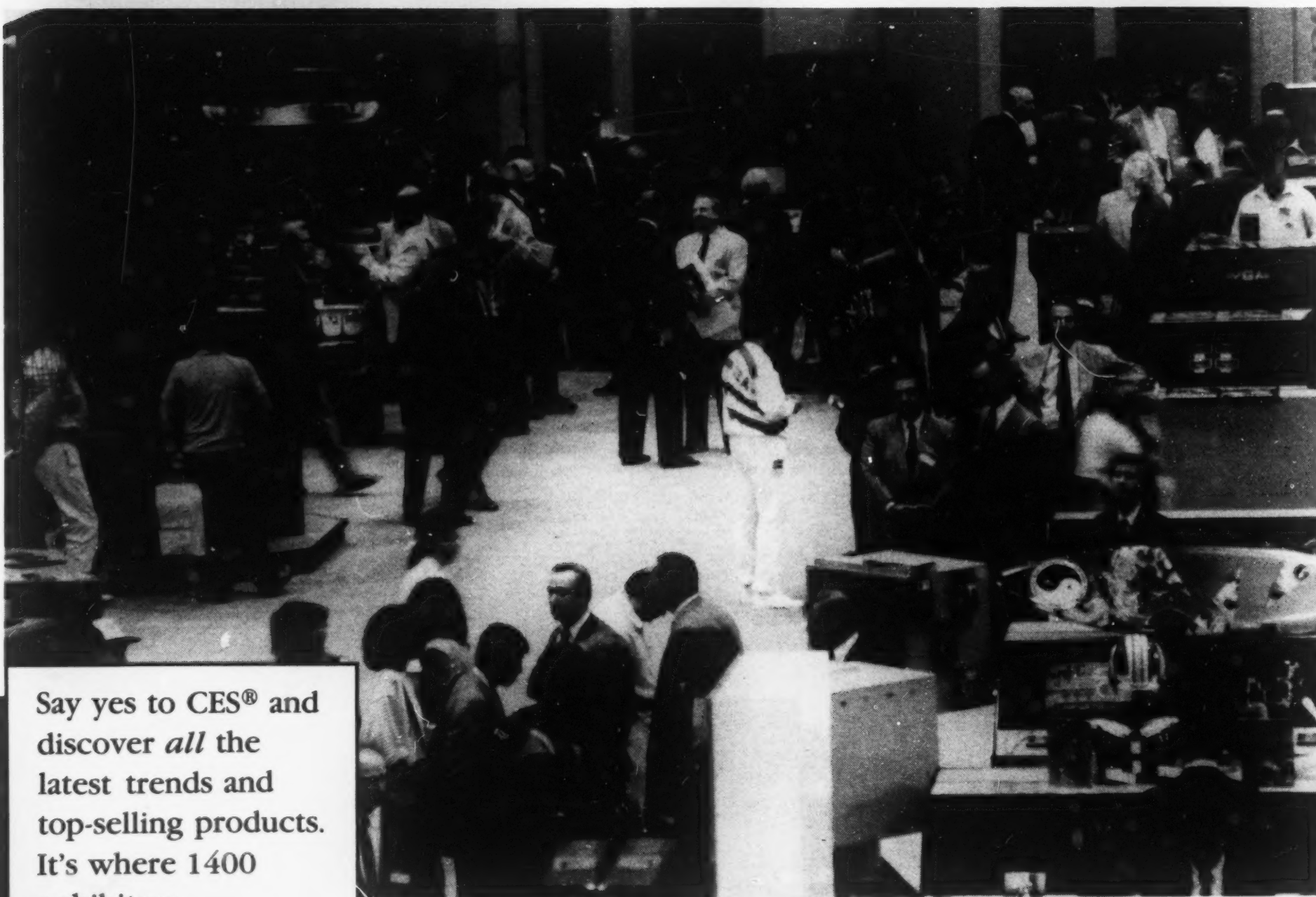
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HARD LINES/TRAFFIC BUILDERS



Laundry products at ALCO, Topeka, Kan.: Re-categorized as a hard lines product, laundry products received more mentions from consumers in the current survey as a top traffic builder. (DSN photo)

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For the trade only. No one under 18 years of age will be admitted. Over-the-counter sales are not permitted.
For exhibit sales information please call (202) 457-8700.

Personal Care, Candy Generate Hefty Add-Ons

(Continued from page 64)

Other products to make the top 10 hard lines traffic builder list in 1988 included Halloween costumes and decor—a result of the survey's proximity to Halloween—other food and candy, other automotive products, and motor oil.

Motor oil dropped from fourth place on 1987's hard lines traffic builders list to 10th place in the current survey. Consumers mentioned motor oil as a top performer only 1.5 percent of the time; among regular discount store shoppers, motor oil garnered 2 percent of mentions. Despite the drop, motor oil held tight to its \$30 mean price tag, substantially more than the average cost of a single can, 99 cents.

Other automotive accessories also fell slightly from the year-earlier survey, to ninth place from sixth. And, the mean ticket price fell, too, probably a result of some retailers' diminished emphasis on the service end of the business, which tends to bolster the average ticket.

Over-the-counter drugs fell from seventh in the 1987 survey to 11th last year, and light bulbs, which was eighth in 1987, fell to 18th on the current survey. Pets and pet supplies went from ninth to 17th. Antifreeze, 10th in 1987, was not even on the top 20 hard lines traffic builders list.

Specific hard lines brands accounted for six of the 10 top labels at discount stores, including the top two, Tide and Fisher-Price. The year-earlier survey had about the same number of hard lines brands. But the brands were different. Tide was the only hard lines brand from the 1987 list to appear on the 1988 survey.

Tide also jumped from sixth to first, more than doubling its response rate and providing evidence of the improving stature of laundry cleaners at the discount store level.

According to survey responses, top hard lines traffic builder brands include Tide, Fisher-Price, Black & Decker, M&M's, Snickers and Quaker State.

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Magazines Can Enhance
Profits for Discounters

(Continued from page 2)

Publishers of America and the Council for Periodical Distributors Associations, which represents wholesale distributors. It used a DPP computer model that the International Mass Retail Association had developed for discounters.

The study determined that magazines produce \$1.52 in DPP per square foot, compared to an average of 80 cents per square foot for the entire store.

In the DPP study, Touche Ross worked with Target, Minneapolis, and Venture, O'Fallon, Mo.

Of 10 high-impact discount merchandise categories studied, magazines ranked No. 4 behind greeting cards, \$3.13 DPP per square foot; cigarettes, \$2.43; and prerecorded video, \$2.26.

Results for the six other categories in the study were: candy, \$1.47; home office, \$1.32; prerecorded music, \$1.13; miscellaneous checkout merchandise, \$1.08; packaged foods, 53 cents; and paper products, 26 cents.

DPP measures retail profit by taking an item's gross margin, adding in discounts and allowances and then deducting specific handling costs. It goes beyond gross margin calculations by figuring the hidden

costs of selling, such as transportation, pricing, stocking and storage.

The study indicates that discounters would do well to devote more square footage to magazines, which are a high-impulse item, said David B. Lee, vice president of consumer marketing for MPA.

Another advantage to handling magazines is that they aren't a high pilferage item, as compared to, prerecorded videos and cigarettes, Lee said.

Increasing space allotted to magazines might result in some dilution of DPP per square foot, Lee conceded. But the dilution would have to be huge to bring the DPP down to the store average of 80 cents from \$1.52, he said.

The perceived gross margin on magazines is low, Lee said, about 20 percent. But other factors, such as a 7 percent retail stocking allowance, boost the DPP of magazines, he said.

Other Touche Ross DPP studies in the works include: film, for Kodak; pantyhose, Hanes; personal care products, Procter & Gamble; and home supplies, 3M. Touche Ross expects to complete these studies by September, said Doug Hoskins, a consultant in the company's San Francisco office.

Heck's Chapter 11 Plan on Hold

(Continued from page 3)

Under the original plan, stockholders would have been left with 10 percent of the company's stock, while creditors would have gotten 85 percent and company executives 5 percent.

Stockholders dropped their suits after Heck's agreed to increase stockholders share to 20 percent, decrease creditors' share to 75 percent and require executives to pay a nickel a share for their 5 percent interest.

Other provisions of the reorganization plan call for Heck's to give creditors \$20 million worth of junk bonds and the proceeds from closing

a total of 62 stores in a debt settlement. Creditors would have gotten a total of about 50 cents on the dollar in cash and securities.

Including a round of 20 more store closings announced after Christmas, Heck's will be left with 55 stores, concentrated in its home state of West Virginia.

Heck's expects to raise \$7 million from selling the real estate and inventory from those 20 stores and will earmark that money for creditors. The proceeds would be in addition to the estimated \$20 million raised from closing 42 stores last year. Those funds also are reserved for creditors.

K mart Signs On Satellite Hub

(Continued from page 2)

K mart hub or main data processing center, the discounter would have to electronically notify the GTE Spacenet hub to take over the discounter's network. The GTE Spacenet hub would first download the information needed to run the K mart network and then start operating the discounter's system.

The K mart stores would

automatically stop using the satellite network until the Chicago backup hub starts operating.

The GTE Spacenet hub is aligned with the GSTAR 2 satellite and is equipped to transmit on the same Ku band used by K mart, so that there wouldn't be any change in the discounter's telecommunication network in the event the backup system had to be used.

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